CONFIDENTIAL

Rakuten Group, Inc.

(incorporated with limited liability under the laws of Japan)

$550,000,000 8.125% Undated Subordinated NC5 Fixed Rate Reset Notes

Rakuten Group, Inc., a joint stock corporation incorporated with limited liability under the laws of Japan, is offering $550,000,000 aggregate principal amount of 8.125% Undated Subordinated NC5 Fixed Rate Reset Notes (the "notes").

Beginning on, and including, December 13, 2024 to, but excluding, December 15, 2029, the notes will bear interest at 8.125% per annum, payable semi-annually in arrears on June 15 and December 15 of each year, beginning on June 15, 2025. Beginning on, and including, December 15, 2029 (the "First Reset Date"), the notes will bear interest at a rate per annum equal to the 5 Year Treasury Rate plus Margin (each such term as defined in "Description of the Notes"), payable semi-annually in arrears on June 15 and December 15 of each year. Payment of interest is subject to optional deferral at our election. For further details, see "Description of the Notes."

The notes are undated and accordingly have no fixed maturity date. The notes are subject to redemption in whole but not in part, at our option and sole discretion (i) on any interest payment date on or after the First Reset Date, or (ii) at any time upon the occurrence of a Tax Deduction Event, a Withholding Tax Event, a Rating Methodology Event, an Accounting Event or a Substantial Repurchase Event (each such term as defined in "Description of the Notes"). The notes are not subject to any optional or mandatory redemption or other features triggered by a change of control. The notes will constitute our irrevocable, direct, unsecured and subordinated obligations. Upon the occurrence of a Subordination Event as described in this offering circular, any amounts payable under the notes will be subordinated in right of payment to all Senior Obligations. Claims in respect of the notes will rank substantially *pari passu* with all Parity Obligations as to priority of liquidation payment and shall rank senior to all Junior Obligations. See "Description of the Notes—Subordination." The notes will be issued only in registered form in minimum denominations of $200,000 and integral multiples of $1,000 in excess thereof.

Payment of the principal of the notes may be accelerated only in the case of a Subordination Event, which can only occur in the event of the liquidation proceedings or bankruptcy proceedings under Japanese law or analogous proceedings in other jurisdictions of Rakuten Group, Inc. In the case of a Subordination Event, the Trustee may, or if so requested by the holders of not less than 25% in aggregate principal amount of the notes of such series then outstanding, declare the principal of and all interest then accrued on the notes to be forthwith due and payable by us. Payment of any such accelerated amounts will be subject to the conditions described under "Description of the Notes—Subordination." The foregoing notwithstanding, in the event of a Claim Rights Termination Event (which will occur in the event of reorganization, rehabilitation or other equivalent proceedings of Rakuten Group, Inc.), the holders of the notes will be deemed to have irrevocably waived their right to claim or receive, and will not have any rights against us, the Trustee or the Paying Agent with respect to, payment of principal, any interest, Arrears of Interest or Additional Amounts, except for any payments of any interest, Arrears of Interest or Additional Amounts that have become due and payable prior to the occurrence of the Claim Rights Termination Event. See "Description of the Notes—Termination of Rights for Claims upon Certain Events."

Approval in-principle has been obtained from the Singapore Exchange Securities Trading Limited (the "Singapore Exchange") for the listing and quotation of the notes on the Official List of the Singapore Exchange. The Singapore Exchange assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained in this offering circular. Approval in-principle from the Singapore Exchange, admission of the notes to the Official List of the Singapore Exchange, and the listing and quotation of any notes on the Singapore Exchange are not to be taken as an indication of the merits of us, our subsidiaries, associated companies and joint ventures (if any), this offering or the notes.

The notes will be represented by one or more global notes deposited with a custodian for and registered in the name of a nominee of The Depository Trust Company ("DTC"), as depositary. Beneficial interests in the notes will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and indirect participants, including Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream").

Investing in the notes involves risks that are described in the "Risk Factors" section beginning on page 22 of this offering circular.

Price per Note: 100.000% plus accrued interest, if any, from December 13, 2024.

The notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any other jurisdiction. Unless they are registered, the notes may be offered only in transactions that are exempt from registration under the Securities Act, or the securities laws of any other jurisdiction. Accordingly, we are offering the notes in the United States only to qualified institutional buyers ("QIBs") and outside the United States to non-U.S. persons in reliance on Regulation S under the Securities Act ("Regulation S"). For further details about eligible offerees and resale restrictions, see "Plan of Distribution" and "Transfer Restrictions."

It is expected that delivery of the notes will be made through the book-entry facilities of DTC and its participants, including Euroclear and Clearstream, on or about December 13, 2024 for the accounts of their respective account holders.

Joint Bookrunners and Joint Lead Managers

Morgan Stanley

Daiwa Capital Markets | **Mizuho** | **Goldman Sachs & Co. LLC**

SMBC NIKKO | **ING** | **BofA Securities** | **Citigroup** | **Nomura**

Co-Managers

Barclays | **Standard Chartered Bank** | **DBS Bank Ltd.**

Offering Circular dated December 4, 2024.

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IMPORTANT INFORMATION ABOUT THIS OFFERING CIRCULAR

No person has been authorized in connection with the offering to give any information or to make any representation not contained in this offering circular and, if given or made, such information or representation must not be relied upon as having been authorized by us, any initial purchaser or any affiliate of the initial purchasers. No action has been, or will be, taken to permit a public offering of the notes in any jurisdiction where action would be required for that purpose. Accordingly, the notes offered hereby may not be offered or sold, directly or indirectly, and this offering circular may not be distributed in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither delivery of this offering circular nor any sale made hereunder shall under any circumstances imply that the information herein is correct as of any date subsequent to the date hereof, nor shall it constitute a representation that there has been no change or development reasonably likely to involve a material adverse change in our affairs since the date hereof. This offering circular does not constitute an offer to sell or a solicitation of an offer to buy any of the notes offered hereby by any person in any jurisdiction in which it is unlawful for such person to make such an offer or solicitation.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF US AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE NOTES COVERED BY THIS OFFERING CIRCULAR HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR ANY OTHER SECURITIES COMMISSION OR OTHER REGULATORY AUTHORITY, NOR HAVE THE FOREGOING AUTHORITIES APPROVED THIS OFFERING CIRCULAR OR CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE UNDER THE LAWS OF THE UNITED STATES.

This offering circular is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire notes. Distribution of this offering circular to any person other than the offeree and those persons, if any, retained to advise such offeree with respect thereto is unauthorized, and any disclosure of its contents without our prior written consent is prohibited. Each person receiving this offering circular acknowledges that (i) such person has not relied on any initial purchaser, trustee or any U.S. selling agent of the initial purchasers or any person affiliated with the initial purchasers, in connection with its investigation of the accuracy of such information or its investment decision and (ii) no person has been authorized to give any information or to make any representation concerning us or the notes offered by this offering circular other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorized by us, any initial purchaser, trustee or any U.S. selling agent of the initial purchasers.

The notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended) (the "FIEA"), and are subject to the Act on Special Measures Concerning Taxation of Japan (Act No. 26 of 1957, as amended) (the "Special Taxation Measures Act"). The notes may not be offered or sold in Japan or to, or for the benefit of, any person resident in Japan, or to others for reoffering or resale, directly or indirectly, in Japan or to, or for the benefit of, a person resident in Japan, for Japanese securities law purposes (including any corporation or other entity organized under the laws of Japan) except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and governmental guidelines of Japan. In addition, the notes may not, as part of the distribution by the initial purchasers under the purchase agreements relating to the notes, at any time be directly or indirectly offered or sold to, or for the benefit of, any person other than a beneficial owner that is, (i) for Japanese tax purposes, neither (a) an individual resident of Japan or a Japanese corporation, nor (b) an individual non-resident of Japan or a non-Japanese corporation that in either case is a person having a special relationship with the issuer of the notes as described in Article 6, Paragraph (4) of the Special Taxation Measures Act, or a specially-related person of the issuer (excluding an underwriter designated in Article 6, paragraph (12), item 1 of the Special Taxation Measures Act which purchases unsubscribed portions of the notes from the other underwriters) or (ii) a Japanese financial institution or a Japanese financial instruments business operator, designated in Article 3-2-2, Paragraph (29) of the Cabinet Order (Cabinet Order No. 43 of 1957, as amended) (the "Cabinet Order"), relating to the Special Taxation Measures Act.

BY SUBSCRIBING FOR THE NOTES, AN INVESTOR WILL BE DEEMED TO HAVE REPRESENTED THAT IT IS A PERSON WHO FALLS INTO THE CATEGORY OF (i) OR (ii) ABOVE.

Interest payments on the notes will generally be subject to Japanese withholding tax unless it is established that the notes are held by or for the account of a beneficial owner that is (i) for Japanese tax purposes, neither an individual resident of Japan or a Japanese corporation, nor an individual non-resident of Japan or a non-Japanese corporation that in either case is a specially-related person of the issuer, or (ii) a Japanese financial institution or a Japanese financial instruments business operator, designated in Article 3-2-2, Paragraph (29) of the Cabinet Order which complies with the requirement for tax exemption under Article 6, Paragraph (11) of the Special Taxation Measures Act or (iii) a Japanese public corporation, a Japanese financial institution or a Japanese financial instruments business operator, etc. which has received such payments through a payment handling agent in Japan, as provided in Article 3-3, Paragraph (6) of the Special Taxation Measures Act, in compliance with the requirement for tax exemption under that paragraph.

Interest payments on the notes to an individual resident of Japan, to a Japanese corporation not described in the preceding paragraph, or to an individual non-resident of Japan or a non-Japanese corporation that in either case is a specially-related person of the issuer will be subject to deduction in respect of Japanese income tax.

The notes have not been and will not be registered under the Securities Act, or with any securities authority of any State of the United States, and may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable state securities laws. The notes are being (i) offered by the initial purchasers to non-U.S. persons in offshore transactions outside the United States and Japan in reliance on Regulation S under the Securities Act, and (ii) placed inside the United States through the initial purchasers or U.S. selling agents of the initial purchasers to QIBs in reliance on Rule 144A under the Securities Act, or Rule 144A. Prospective purchasers are hereby notified that sellers of the notes may be relying on the exemption from the registration provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of these and certain further restrictions on offers, sales and transfers of the notes and the distribution of this offering circular, see “Transfer Restrictions” and “Plan of Distribution.”

The initial purchasers are acting exclusively for us and no one else in connection with the offering. They will not regard any other person (whether or not a recipient of this offering circular) as their client in relation to the offering and will not be responsible to anyone other than us for providing the protections afforded to their clients nor for giving advice in relation to the offering or any transaction or arrangement referred to herein.

NOTICES

PROHIBITION OF SALES TO EEA RETAIL INVESTORS

The notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "EU PRIIPs Regulation") for offering or selling the notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the EEA may be unlawful under the EU PRIIPs Regulation.

MIFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET

Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

PROHIBITION OF SALES TO UNITED KINGDOM RETAIL INVESTORS

The notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("UK"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined by point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (as amended, the "EUWA"); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (as amended, the "FSMA") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by the Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "UK PRIIPs Regulation"), for offering or selling the notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

MIFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET

Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

NOTICE CONCERNING THE UK

There are restrictions on the offer and sale of the notes in the UK. All applicable provisions of the FSMA with respect to anything done by any person in relation to the notes in, from or otherwise involving, the UK must be complied with. See "Plan of Distribution." This offering circular is for distribution in the UK only to

persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Financial Promotion Order"), or (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Promotion Order (all such persons together being referred to as "relevant persons"). This offering circular is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this offering circular relates is available only to relevant persons and will be engaged in only with relevant persons.

SINGAPORE SELLING RESTRICTIONS

This offering circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act 2001 of Singapore (as modified or amended from time to time) (the "SFA"). This offering circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the notes may not be circulated or distributed, nor may the notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.

Any reference to the SFA is a reference to the Securities and Futures Act 2001 of Singapore and a reference to any term as defined in the SFA or any provision in the SFA is a reference to that term or provision as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

AVAILABLE INFORMATION

We have agreed that so long as any of the notes are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, we will, at any time we are not subject to Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"), nor exempt from the reporting requirements under the Exchange Act pursuant to Rule 12g3-2(b) under the Exchange Act, provide to each holder of restricted securities and to each prospective purchaser (as designated by the holder) of restricted securities, upon request of the holder or prospective purchaser, the information required to be provided by Rule 144A(d)(4)(i) under the Securities Act.

FORWARD-LOOKING STATEMENTS

This offering circular contains "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. These statements appear in a number of places in this offering circular and include statements regarding the intent, belief or current expectations of our management with respect to our business, results of operations and financial condition. In many cases, but not all, we use such words as "aim," "anticipate," "believe," "estimate," "expect," "forecast," "intend," "may," "outlook," "plan," "potential," "predict," "probability," "project," "risk," "seek," "should," "target," "will," "would" and similar expressions in relation to us or our management to identify forward-looking statements. You can also identify forward-looking statements by discussions of strategy, plans or intentions. These statements reflect our current views with respect to future events and are subject to risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, our actual results may vary materially from those we currently anticipate.

In addition to the foregoing, important risks and factors that could cause our actual results to differ materially from our expectation are discussed under "Risk Factors" and elsewhere in this offering circular. Given these risks and uncertainties, prospective investors are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of this offering circular. We disclaim any obligation to update, or to announce publicly any revision to, any of the forward-looking statements contained in this offering circular to reflect future actual events or developments. The information contained in this offering circular, including without limitation the information included in "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business," identifies important factors that might cause the forward-looking statements not to be realized.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

In this offering circular, "we," "us," "our," the "Company" and the "Rakuten group" refer to Rakuten Group, Inc. and its consolidated subsidiaries, or, as the context requires, Rakuten Group, Inc. on a standalone basis. Our fiscal year end is December 31 of each year. Certain of the entities in the FinTech segment (Rakuten Bank, Ltd., or *Rakuten Bank*; Rakuten Life Insurance Co., Ltd., or *Rakuten Life Insurance*; and Rakuten General Insurance Co., Ltd., or *Rakuten General Insurance*) have a March 31 year end for statutory purposes but are included as subsidiaries within our consolidated financial statements (using financial information as of and for the year ended December 31).

The financial data in this offering circular is presented in Japanese yen and U.S. dollars. In this offering circular, references to "U.S. dollars," "dollars," "USD" and "$" refer to the lawful currency of the United States, references to "yen," "JPY" and "¥" refer to the lawful currency of Japan, and references to "euro," "EUR" and "€" refer to the lawful currency of those member states of the European Union, which participate in the European Economic and Monetary Union pursuant to the Treaty on the European Union. References to "S$" are to the lawful currency of Singapore and references to "C$" are to the lawful currency of Canada.

In this offering circular, amounts presented in millions or billions of yen or thousands or millions of dollars have been rounded to the nearest unit or tenth of a unit. All percentages have been rounded to the nearest percent or one-tenth of one percent, as the case may be. All other figures have been rounded to the nearest unit or one-tenth of a unit, as the case may be. Due to rounding, the total amounts presented in tables may not be equal to the sum of the individual figures shown.

Our audited consolidated financial statements as of and for the years ended December 31, 2022 and 2023 (including comparative information thereto) included elsewhere in this offering circular have been prepared in accordance with International Financial Reporting Standards, or IFRS, as issued by the International Accounting Standards Board.

From April 1, 2024, the statutory quarterly disclosure requirements under the FIEA applicable to the first and third quarterly reports and the review requirements for financial statements included in such reports by an independent auditor, which were previously mandatory for certain types of companies including listed companies, have been abolished. While companies listed on the Tokyo Stock Exchange are still required to disclose their first and third quarterly earnings reports, such reports are based on the Tokyo Stock Exchange's Standards for the Preparation of Quarterly Financial Statements (the "Standards"), and review for financial statements included in such reports by independent auditors is optional in principle. The Standards permit reduced disclosures as compared to those which were required under the FIEA in interim financial statements prepared under Japanese GAAP, IFRS or U.S. GAAP, as applicable.

Our unaudited condensed quarterly consolidated financial statements as of and for the three-month and nine-month periods ended September 30, 2024 and comparative information for the three-month and nine-month periods ended September 30, 2023 and the related notes, included elsewhere in this offering circular, have been prepared in accordance with Article 5, Paragraph 2 of the Standards, applying the provisions for reduced disclosures as set forth in Article 5, Paragraph 5 of the Standards. Accordingly, our unaudited condensed quarterly consolidated financial statements have been prepared based on IAS 34, Interim Financial Reporting, ("IAS 34") except that certain of the required disclosures and notes have not been given. Therefore, they are not a set of condensed financial statements in accordance with IAS 34.

Operating segment information is prepared in accordance with IFRS, and operating segment revenue and segment profit (loss) are before intercompany eliminations without consideration of consolidation adjustments, except for certain subsidiaries. Segment profit (loss) is presented on the basis of non-GAAP operating income (loss), the internal measure management uses in making decisions, which is calculated by adjusting nonrecurring items and other adjustment items from the operating income recorded in accordance with IFRS. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Adjusted/Non-GAAP Financial Measures" for further information on non-GAAP operating income (loss), including a reconciliation to net income (loss) as presented under IFRS.

Unless otherwise indicated, all financial information included in this offering circular is presented in accordance with IFRS, which differs from accounting principles generally accepted in Japan, or Japanese GAAP, and from accounting principles generally accepted in the United States, or U.S. GAAP. In addition to our reported financial results prepared under IFRS, we also use non-GAAP measures, including Non-GAAP

Operating Income (loss) and Adjusted EBITDA as supplementary information to evaluate our performance and financial condition. The definition of these non-GAAP measures is presented in Adjusted/Non-GAAP Financial Measures. However, non-GAAP measures have a number of important limitations and should not be viewed as a substitute for financial information prepared in accordance with IFRS. Due to the limitations inherent in non-GAAP measures, investors should not rely solely on non-GAAP measures in assessing our performance and financial condition. A reconciliation of these non-GAAP measures to the closest GAAP measures is presented in Adjusted/Non-GAAP Financial Measures.

Note Regarding Comparability of Financial Information

As explained in further detail below, as the result of segment reorganizations and other changes in the presentation of and other matters relating to our financial information, not all of such information is presented on a fully comparable basis.

Segment Reorganizations

2021 Segment Reorganization

From the three-month period ended December 31, 2020, in order to enhance collaboration and synergy between digital content services and mobile services, certain businesses and subsidiaries have been transferred among our segments, including the transfer of Rakuten Kobo Inc. from the Internet Services segment to the Mobile segment. Subsequently, beginning in the three-month period ended June 30, 2021, we reviewed our business management system with the aim of expanding the reach of the Rakuten Ecosystem in North America. Accordingly, certain businesses and subsidiaries providing digital content services in North America and those engaged in messaging services were transferred from the Mobile segment to the Internet Services segment, primarily Rakuten Kobo Inc. and Viber Media S.a.r.l. Collectively, we refer to these reorganization as the "2021 segment reorganization."

2023 Segment Reorganizations

Beginning in the three-month period ended March 31, 2023, in order to expand the Rakuten Ecosystem and enhance synergies through strengthened cooperation with our e-commerce businesses, certain media and entertainment businesses and subsidiaries previously included in our Mobile segment were transferred to our Internet Services segment. We refer to this, including the effect of the 2021 segment reorganization, as the "1Q 2023 segment reorganization."

Effective September 1, 2023, the *Rakuten Pay* (online payment) business and *Rakuten Points* (online) business were transferred from the Internet Services segment to the FinTech segment. We refer to this step as the "3Q 2023 segment reorganization." Because the impact of the 3Q 2023 segment reorganization was immaterial, no retrospective adjustments have been made to the segment information prior to the year ended December 31, 2023. We refer to the 1Q 2023 segment reorganization and the 3Q 2023 segment reorganization collectively as the "2023 segment reorganizations."

2024 Changes in Measurement Methods of Segment Revenue and Segment Profit (Loss)

Change to the Management of Mobile Segment-related Investments

In anticipation of an increase in investments related to the Mobile segment, an organization to oversee such investments was established during the three-month period ended September 30, 2024. This results in a change to the management of mobile segment-related investments but does not impact the three- and nine-month periods ended September 30, 2023. We refer to this as the "2024 Mobile segment-related investment management change."

Mobile Ecosystem Contribution

Considering the expanding mutual contribution effects between segments within the Rakuten Ecosystem, beginning with the three-month period ended September 30, 2024, mutual contribution effects and mutual customer referral effects (which we refer to as "Mobile Ecosystem Contribution") have been reflected in segment profit and loss to allow for a more precise performance evaluation (no changes are made to segment revenue). We refer to the reflecting of Mobile Ecosystem Contribution together with the 2024 Mobile segment-related investment management change as the "2024 Changes in Measurement Methods of Segment Revenue and Segment Profit (Loss)."

Mobile Ecosystem Contribution is calculated based on the contribution effect derived from the tendency of *Rakuten Mobile's* Mobile Network Operator ("MNO") subscribers to use various services of the Rakuten group more than non-subscribers, minus the customer referral effect received from each company within the ecosystem. (As described below, Mobile Ecosystem Contribution is calculated with respect only to certain specified businesses.) Mobile Ecosystem Contribution as so calculated is added to segment profit and loss in the Mobile segment, and deducted from segment profit and loss in the Internet Services and FinTech segments. This calculation is reflected in the segment information for the three- and nine-month periods ended September 30, 2024. Segment information for the three- and nine-month periods ended September 30, 2023 has also been restated. Segment information for the years ended December 31, 2019, 2020, 2021, 2022 and 2023 has not been restated. There is no impact on consolidated revenue, Non-GAAP operating loss, or operating loss for any period.

Mobile Ecosystem Contribution is calculated as follows:

- Mobile Ecosystem Contribution = i) Gross profit uplift effect of *Rakuten Mobile* MNO subscribers *minus* ii) Customer referral effect from group companies to the mobile business;
    - depending on the characteristics of the relevant business, the monthly amount of Gross profit uplift effect of *Rakuten Mobile* MNO subscribers is calculated using one of the following methods:
        - The difference in the monthly average revenue per user over the past year between *Rakuten Mobile* MNO individual subscribers and non-subscribers in the relevant business *multiplied by* the gross profit margin of the relevant business for each month *multiplied by* the number of *Rakuten Mobile* MNO individual subscribers at the end of each month; or
        - The difference in annual usage rates in the relevant business between *Rakuten Mobile* MNO individual subscribers and non-subscribers *multiplied by* the monthly average revenue per user over the past year for such business *multiplied by* the gross profit margin of such business for each month *multiplied by* the number of *Rakuten Mobile* MNO individual subscribers at the end of each month;
    - the referral effect from group companies to the mobile business is calculated as: the number of *Rakuten Mobile* MNO individual subscribers each month who signed up through group company sites *multiplied by* referral cost, which is a fixed fee.

The specified businesses for which Mobile Ecosystem Contribution is calculated are: *Rakuten Ichiba*, *Rakuten Books*, *Rakuten Direct*, *Rakuten Bic*, *Rakuten Kobo*, *Rakuten Fashion*, *Rakuten Travel*, *Rakuten Mart*, *Rakuten Beauty*, payments through the *Rakuten Pay* app, *Rakuten Pay* online payments, *Rakuten Edy*, *Rakuten Point Card*, *Rakuten Card*, *Rakuten Bank*, *Rakuten Securities*, *Rakuten Life Insurance*, and *Rakuten General Insurance*.

Segment Information Presented in this Offering Circular

In this offering circular, segment information for the three-month and nine-month periods ended September 30, 2023 and 2024 is presented on the basis of the 2024 Changes in Measurement Methods of Segment Revenue and Segment Profit (Loss) and the 2023 segment reorganizations. Segment information for the year ended December 31, 2023 is presented on the basis of the 2023 segment reorganizations.

Segment information for the years ended December 31, 2020, 2021 and 2022 is presented on the basis of the 1Q 2023 segment reorganization. Segment information for the year ended December 31, 2019 is presented on the basis of the 2021 segment reorganization. The description of our business and operations in "Business" is also made on the same basis.

Other Changes in Presentation of Financial Information

Changes in Point Allocation Methodology

Beginning in the three-month period ended June 30, 2022, the allocation method of revenue related to the Points Reward Program was changed, under which points revenue allocated in the Internet Services segment was reallocated to the headquarters administrative departments and business departments where the cost of such points was recorded, resulting in a decrease in segment revenue in the Internet Services segment with a corresponding increase in the consolidation adjustments for revenue. We refer to this change as the "2022 point allocation methodology change." Consolidated statement of income information is not affected by this change.

This change has been adjusted retrospectively to the segment information for the years ended December 31, 2020 and 2021. Information for periods ending on or before December 31, 2019 has not been restated.

Additionally, beginning in the three-month period ended March 31, 2023, a portion of costs relating to the Super Point Up (SPU) Program previously recorded at Rakuten Mobile, Inc., or *Rakuten Mobile*, is now recorded at *Rakuten Ichiba*, such that these costs are now shared, in order to better reflect the benefit received by *Rakuten Ichiba* from this program. We refer to this change as the "2023 SPU cost allocation change." Information for periods ending on or before December 31, 2022 has not been restated.

The matters described above affect only the presentation of information for our Internet Services and Mobile segments, and do not affect our consolidated financial information or information for our FinTech segment.

Adoption of IFRS 17

Beginning in the three-month period ended March 31, 2023, we have adopted the provisions of IFRS 17, Insurance Contracts ("IFRS 17".) For details on the adoption of IFRS 17, see Note 2 to our audited consolidated financial statements as of and for the year ended December 31, 2023, included elsewhere in this offering circular. The adoption of IFRS 17 only affected the insurance businesses included in our FinTech segment for the years ended December 31, 2022 and 2023 and for the three-month and nine-month periods ended September 30, 2023 and 2024. Segment information as of and for the years ended December 31, 2019, 2020 and 2021 has not been retrospectively restated.

Financial Statements Included in this Offering Circular

As described above, information as of and for each of the periods described above are not necessarily prepared on a comparable basis. Moreover, because of the foregoing, the information as of and for each of the periods described above included in this offering circular may not be consistent with the corresponding information contained in the historical consolidated financial statements included elsewhere in this offering circular as follows:

- our audited historical consolidated financial statements as of and for the year ended December 31, 2022, for which segment information reflects the 2021 segment reorganization and the 2022 point allocation methodology change;

- our audited historical consolidated financial statements as of and for the year ended December 31, 2023, for which segment information reflects the 2023 segment reorganizations, the 2022 point allocation methodology change, the 2023 SPU cost allocation change and the effect of the adoption of IFRS 17; and

- our unaudited condensed interim consolidated financial statements as of and for the three-month and nine-month periods ended September 30, 2024, for which segment information reflects 2023 segment reorganizations, the 2024 Changes in Measurement Methods of Segment Revenue and Segment Profit (Loss), the 2022 point allocation methodology change, the 2023 SPU cost allocation change and the effect of the adoption of IFRS 17.

INDUSTRY AND MARKET DATA

We make statements in this offering circular about the Japanese and global Internet services industries and our competitive position therein. In addition, we include statistics relating to industry and general economic trends. We have made these statements on the basis of statistics and other information from third-party sources, such as governmental agencies, research institutes and industry or general publications that we believe are reliable. Although we have no reason to believe any of this information is inaccurate in any material respect, we have not independently verified and cannot assure the accuracy of the data provided by or derived from third-party sources.

SUMMARY

This summary highlights selected information contained elsewhere in this offering circular, does not contain all of the information that you should consider before investing in the notes and is qualified in its entirety by, and is subject to, the detailed information contained or referred to elsewhere in this offering circular. You should read this summary together with the more detailed information, including "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Business" and our financial statements and related notes appearing elsewhere in this offering circular. This offering circular includes forward-looking statements that involve risks and uncertainties. See "Forward-looking Statements."

Overview

We are one of Japan's leading Internet companies. Under the concept of "single brand, single membership," we seek to integrate our core businesses as part of our "Rakuten Ecosystem" business model through which Rakuten members can access a wide variety of our services with a single Rakuten ID and participate in a single loyalty program. See "Business—Our Business Operations—Membership and Incentive Programs."

Our *Rakuten Ichiba* e-commerce platform had a market share in Japan of 28.9% measured by e-commerce product sales in 2023 based on data compiled by FUJI KEIZAI CO., LTD. (we calculated this market share by dividing the gross merchandise sales ("GMS") of *Rakuten Ichiba* by total e-commerce product sales in Japan in 2023 as reported by FUJI KEIZAI CO., LTD. in "Mail Order and e-Commerce Business 2024: Current Status and Future"). We are expanding overseas to establish several e-commerce platforms using a similar B2B2C marketplace model. We also offer e-books, e-book readers and online video-streaming and music-streaming services. We provide online financial services, including credit card, digital banking, online securities, life insurance, general insurance, electronic payments and crypto asset trading services. We launched full-scale commercial operations on the world's first end-to-end, fully virtualized, cloud-native mobile network in April 2020 and began offering high-speed 5G service in September 2020. In addition, in 2021, *Rakuten Symphony* commenced commercial services for our cloud-native platform which is designed to support the quick and efficient development of safe, open mobile networks for third-party telecommunications providers. As part of our marketing strategy to bring our Internet-based services to a wider segment of the Japanese population, we also operate a professional baseball team in Japan, the Tohoku Rakuten Golden Eagles, a professional soccer team in Japan, Vissel Kobe, and we also sponsor the Golden State Warriors, a leading team in the National Basketball Association, in order to boost our brand recognition around the globe. Global gross transaction value ("GTV") for the Rakuten group, including transactions in our domestic and overseas e-commerce, *Rakuten Pay*, *Rakuten Card*, *Rakuten Point Card* (our universal point card for *Rakuten Points*), *Rakuten Rewards (Ebates)*, digital contents, *Rakuten Advertising* and *Rakuten Edy* businesses, reached ¥40.0 trillion for the year ended December 31, 2023.

We divide our operations into three segments:

- *Internet Services*: includes businesses running various e-commerce sites such as our primary online shopping platform, *Rakuten Ichiba*, online cash back sites, online travel and hotel booking sites, operation of digital content sites and our *Rakuten Viber* messaging service, along with businesses for sales of advertising on these sites and our businesses related to professional sports teams;

- *FinTech*: includes businesses engaged in providing financial services over the Internet such as credit cards, digital banking, online securities, life insurance, general insurance, electronic payments and crypto asset trading; and

- *Mobile*: includes businesses engaged in communication services, such as our MNO business (and also includes our Mobile Virtual Network Operator ("MVNO") business, which is no longer accepting new service activations). Our Mobile segment also includes our energy business and *Rakuten Symphony*.

As of December 31, 2023, we had 208 consolidated subsidiaries and 58 affiliates accounted for under the equity method. We have consistently grown our consolidated revenue since our establishment, recording revenue of ¥2,071,315 million for the year ended December 31, 2023.

Our Strengths

Our unique Rakuten Ecosystem provides our loyal membership base with access to a wide range of interconnected services

The Rakuten Ecosystem provides our users with one-stop access to a wide range of interconnected services, including e-commerce services, FinTech services, digital content and communications services, through an integrated platform. The following diagram illustrates the Rakuten Ecosystem, which encourages users joining through a particular service to take advantage of our other services and to benefit from their interconnected functionality:



The distinctive Rakuten Ecosystem allows users to experience our services through a single Rakuten ID and benefit from the Rakuten Point rewards program

Worldwide, the Rakuten Ecosystem had a membership of 2.0 billion as of September 30, 2024, which is the sum of members of Rakuten (Japan) and overseas e-commerce (including *Rakuten Rewards*, *Rakuten Kobo*, *Rakuten Viki*, *Rakuten TV* and *Rakuten Viber*); some users have multiple memberships across services. Within Japan, we had more than 42.7 million monthly active users (calculated as the number of Rakuten members who received at least one *Rakuten Point* during the month), as of September 30, 2024.

Within Japan, our members can access many of our services using a single Rakuten ID and benefit from frequent use of our services through our *Rakuten Point* rewards program. The Rakuten Ecosystem is distinctive in terms of the breadth of services that it offers, and the attractiveness of the *Rakuten Point* rewards program we provide to our members promotes user engagement and loyalty. By encouraging our users to discover our other services, we are able to increase adoption and cross-use between our various services across our Internet Services, FinTech and Mobile segments. The ability to use *Rakuten Points* across many of our services also enables us to use innovative marketing methods to cross-promote other Rakuten services to our users. According to a survey conducted by MMD Labo between January 19, 2024 and January 22, 2024, out of a sample size of 2,500 respondents, *Rakuten Points* is the most recognized point ecosystem in Japan.

Because *Rakuten Points*, our primary group-wide reward program, can be earned and redeemed through most of the services offered in the Rakuten Ecosystem, including *Rakuten Ichiba* and *Rakuten Card*, our users have a strong incentive to use our other services. As of September 30, 2024, our cross-use ratio reached 76.6%. Our cross-use ratio is defined as the ratio of the number of Rakuten members in Japan who have utilized two or more Rakuten services eligible to earn *Rakuten Points* during the past twelve months to the number of all members that utilized any such service during the last month of that period. We believe that Rakuten Ecosystem sets us apart particularly at *Rakuten Mobile*.

We have accumulated rich and diverse user data through our services

The wide-ranging services provided in the Rakuten Ecosystem allow us to collect e-commerce data as well as financial and communications-related data in compliance with applicable laws and regulations, enabling us to analyze and respond effectively to the needs of our users. Because this data is tied to a unified Rakuten ID across our services, we are able to conduct comprehensive data analysis which can be used as a foundation for innovative marketing strategies. As consumers continue to demand personalized solutions to their diverse needs, we expect that further developments in the usage of big data and artificial intelligence will enable us to better tailor our services to individual consumers, making our ecosystem even more attractive.

With a leading position in Japan's e-commerce market, Rakuten Ichiba is well-positioned to capture further growth

Japan's e-commerce industry grew at a CAGR of 9.4% from the year ended December 31, 2018 to the year ended December 31, 2023, according to FUJI KEIZAI CO., LTD., and sales from *Rakuten Ichiba* constitute a significant portion of our GMS. Since the start of the COVID-19 pandemic, interest in e-commerce in Japan has increased due to changes in consumer behavior resulting from "stay-at-home" policies and health concerns, leading to significantly accelerated growth, with total GMS for our domestic e-commerce businesses growing 10.4% in the year ended December 31, 2021 compared to the previous year, surpassing ¥5 trillion for the first time in the year ended December 31, 2021 and growing further to ¥5.6 trillion in the year ended December 31, 2022 before surpassing ¥6 trillion for the first time in the year ended December 31, 2023. However, Japan's e-commerce penetration rate of 14% is still relatively low compared to the world average (19%), China (48%) and South Korea (25%) (according to a report issued by METI in 2024), and we believe Japan's e-commerce industry will continue to grow. We have implemented an internal portfolio management system in our domestic e-commerce businesses, divided into "core" and "growth investment" businesses. Our core businesses, including *Rakuten Ichiba*, *Rakuten Travel*, *Rakuten Bic*, *Rakuten Rebates* and *Rakuten GORA*, are those which we believe have achieved structural profitability, yielding returns over their respective weighted average cost of capital and which we consider essential to our domestic e-commerce business portfolio even if they may provide lower returns. On the other hand, growth investment businesses, including *Rakuten Mart (formerly Rakuten Seiyu Netsuper)*, *Rakuten Super Logistics*, *Rakuten Beauty*, *Rakuten Rakuma, Rakuten Ticket* and *Rakuten Fashion*, are those currently in the investment phase and for which we seek to achieve positive value in the future. By instituting a portfolio management system, we seek to increase accountability for these growth businesses.

Our FinTech businesses have maintained stable revenue, profit and user growth, leading our cross-use promotion strategies, and our internal restructuring in 2023 positions the segment to drive further growth

Our FinTech segment consists of a diverse portfolio of financial services with stable revenue and profit growth. Revenue for our FinTech segment grew from ¥486,372 million for the year ended December 31, 2019 to ¥651,944 million for the year ended December 31, 2022, ¥725,165 million for the year ended December 31, 2023 and to ¥604,383 million for the nine-month period ended September 30, 2024, and segment profit increased from ¥69,306 million for the year ended December 31, 2019 to ¥89,840 million for the year ended December 31, 2022, ¥122,915 million for the year ended December 31, 2023 and to ¥125,323 million before considering Mobile Ecosystem Contribution (or ¥114,705 million after considering Mobile Ecosystem Contribution) for the nine-month period ended September 30, 2024. Our FinTech businesses are centered on *Rakuten Card*. We offer users *Rakuten Point* rewards for use of their *Rakuten Cards* for payments made in respect of other services, including:

- *Rakuten Bank*: direct debits of *Rakuten Card* balances;
- *Rakuten Securities*: settlement of regular contributions to investment trusts using *Rakuten Card*;

- *Rakuten Life Insurance* and *Rakuten General Insurance*: payment of insurance premiums using *Rakuten Card*;
- *Rakuten Payment*: payments and charging of balances using *Rakuten Card*;
- *Rakuten Ichiba*: shopping using *Rakuten Card*; and
- *Rakuten Mobile*: payment of subscriber fees and device installment payments using *Rakuten Card*.

We also seek to promote cross-use through other programs in our FinTech segment, such as *Money Bridge*, which links *Rakuten Bank* and *Rakuten Securities* accounts and provides benefits such as preferential interest rates on bank account balances and enabling the use of bank account funds to automatically cover shortages of funds for securities purchase orders. As of September 30, 2024, the number of accounts that use *Money Bridge* surpassed 5.3 million, and their combined deposit balance surpassed ¥6 trillion as of the end of October 2024. These strategies have led to continuous growth in membership and transaction volume for our FinTech businesses. The number of *Rakuten Cards* (including second cards issued to the same cardholder) grew by 7.1% between December 31, 2022 and December 31, 2023, to 30.1 million cards, and further surpassed 31 million at the end of September 2024, while shopping GTV grew by 16.4% when comparing the year ended December 31, 2023 to the previous year, reaching ¥21.1 trillion as of December 31, 2023 and was ¥17.5 trillion as of September 30, 2024. Also between December 31, 2022 and December 31, 2023, the number of *Rakuten Bank* accounts grew by 10.2% to 14.76 million, and then reached 16.2 million accounts as of September 30, 2024, while the number of *Rakuten Securities* general accounts grew by 18.1% to 10.2 million between the same period, before reaching 11.7 million accounts as of September 30, 2024.

Effective on November 1, 2023, we completed the internal restructuring of our FinTech segment, whereby the *Rakuten Pay* (online payments) business and *Rakuten Points* (online) business, which were included in the Internet Services segment, were transferred to our consolidated subsidiary, *Rakuten Payment,* via a company split. In addition, with an effective date of November 1, 2023, all shares of *Rakuten Payment* held by *Rakuten* Group, Inc. (95.28% of the total number of issued shares of *Rakuten Payment*) were transferred to *Rakuten Card*. By placing *Rakuten Pay* and these businesses under the umbrella of *Rakuten Card*, our main payments subsidiary, in the Fintech segment, we are seeking to increase synergies within the FinTech segment and to improve the transparency of the segment overall, helping our growth strategies to succeed and contributing to our overall corporate value. In particular, we believe that the payment business, which has multiple touchpoints with customers, is extremely significant in attracting customers to the *Rakuten* Ecosystem and incentivizing them to use its various services. By consolidating the online payments and points business into *Rakuten Payment* and in turn placing *Rakuten Payment* under the umbrella of *Rakuten Card*, which is among Japan's largest credit card issuers by gross shopping transaction value and by customer base in 2022, we believe that we have established an integrated business structure with the ability to recognize further synergies within the Rakuten group and that will help lead to the expansion of our customer base and the strengthening of our ability to implement our growth strategies, which in turn will contribute to the enhancement of our corporate value. In addition, by further strengthening the cooperative framework between *Rakuten Card* and *Rakuten Payment*, we expect that *Rakuten Card* will drive our integrated payments business. *Rakuten Card* also flexibly considers forming strategic partnerships with third parties and raising its own capital as necessary. On September 30, 2024, we announced that *Rakuten Card* and Mizuho Financial Group, Inc. agreed to consider a new strategic capital and business alliance. Further to this announcement, Rakuten Group and Mizuho Financial Group concluded a share sale agreement on November 13, 2024, pursuant to which Mizuho Financial Group agreed to purchase 14.99% of the outstanding shares of *Rakuten Card* for a purchase price of ¥164,997 million, as well as a related shareholder agreement in respect of the shares of *Rakuten Card*. This purchase was completed on December 1, 2024. See "Business—Our Business Operations—FinTech Segment—Credit Card Business—Strategic Capital and Business Alliance Between *Rakuten Card* and Mizuho Financial Group, Inc. and Business Alliance Among Rakuten Group, *Rakuten Card*, Mizuho Financial Group, Mizuho Bank, UC Card and Orient Corporation." Moreover, on November 13, 2024, Rakuten Group, Inc., Rakuten Card Co., Ltd., Mizuho Financial Group, Inc., Mizuho Bank, Ltd., UC Card Co., Ltd. and Orient Corporation announced the formation of a business alliance that aims to transform Japan's digital payment landscape.

Our Mobile businesses provide innovating services centered on fully virtualized mobile network technology, and Rakuten Mobile has grown into a significant driver of value in our ecosystem

With its low spectrum costs compared to other countries, we believe the Japanese mobile telecommunications market presents a compelling opportunity for MNO operators, as shown by the historical development and profit of our competitor MNOs. We launched full scale commercial service on *Rakuten Mobile*'s MNO network in April 2020 with the goal of democratizing the Japanese mobile telecommunications market. Based on our core mobile network technological capabilities, including virtualization, automation, and O-RAN technology, we aim to provide the high-capacity, low-cost and high-quality services that we will be key to the 5G and IoT era, helping to realize a society where smartphone access is universal. Despite starting from zero, we have made rapid progress in developing and deploying physical base stations. While our initial development plan submitted to the Japanese regulatory authorities targeted 96% population coverage for our 4G network by March 31, 2026, we have taken significant initiatives to accelerate this, achieving our goal four years ahead of schedule and further achieving 99.9% population coverage for 4G network in September 2023 (with the additional KDDI base stations available to our users; population coverage is calculated based on areas where communication is available in 50% or more of the locations in approximately 500 square meter plots used for the census, rather than overall coverage of land area). Due to the fully virtualized nature of our network, we believe that we are able to operate with significantly lower operating expenses and ongoing capital investments compared to traditional MNO networks, including for the roll-out of additional spectrum, such as the 700 MHz spectrum allotted to us in October 2023. This is because, unlike an ordinary network composed of specialized equipment and software, *Rakuten Mobile* is able to virtualize necessary functions by isolating software on the cloud housed using all-purpose servers. Because a cloud network with isolated software and hardware does not rely on any specialized equipment and can be maintained remotely and more efficiently, this reduces the amount of necessary capital investment as well as operation costs. This cost structure allows us to keep our costs down and maintain attractive subscriber fees, as exemplified by our SAIKYO (meaning "strongest" in Japanese) plan introduced in June 2023, including flexible pricing tiers for different levels of data usage, while offering high data capacity, high network quality and high speeds. We saw significant net growth in subscriber numbers in 2023, growing from 4.46 million MNO subscribers as of December 31, 2022 to 5.90 million MNO subscribers as of December 31, 2023 (in each case excluding B2B business continuity plan ("BCP") subscribers and Mobile Virtual Network Enabler subscribers ("MVNE")), and surpassing 6 million MNO subscribers (including 130 thousand BCP subscribers) in December 2023. Moreover, with the termination of zero-fee data usage tiers and with point back promotions ending in October 2022, all subscribers are now paying users. Under the SAIKYO plan, 4G high-speed roaming on KDDI's network in applicable locations is unlimited (as compared to the previous limit of 5 GB per month, with additional high-speed roaming available for a charge of ¥600 (excluding tax)), and voice calls using *Rakuten Link* are unlimited, including on KDDI's network. In addition, subscribers are able to make unlimited voice calls using *Rakuten Link* while overseas, and can use up to 2 GB of high-speed roaming in certain countries. As a result of these developments, total MNO subscribers (including both B2C and B2B subscribers, but excluding BCP and MVNE) reached 4.77 million as of June 30, 2023 before growing further to 5.90 million as of December 31, 2023, and further still to 7.41 million as of November 10, 2024. Including approximately 130 thousand BCP lines provided to enterprise customers, the number of subscribers surpassed 6 million for the first time on December 26, 2023. Since then, total number of MNO subscribers (including MVNO and MVNE, but excluding BCP subscribers) surpassed 7 million for the first time on June 16, 2024. On October 18, 2024, the total number of subscribers (including MVNO, MVNE and BCP subscribers) surpassed 8 million, and on November 10, 2024, the number reached 8.12 million.

The roll-out of this business has made *Rakuten Mobile* a significant driver of value in the Rakuten Ecosystem, contributing to further growth in cross-use of our services among subscribers. Among users who signed up for a *Rakuten Mobile* contract (MNO B2C) between March 2020 and October 2023 (the "relevant month") and had an active account between October 2023 and September 2024, and whose purchasing trends over the preceding year from the relevant month are similar to those of non-subscribers, total *Rakuten Ichiba* GMS of *Rakuten Mobile* subscribers was 47.9% higher compared to non-subscribers (non-subscribers are users who have used any Rakuten service other than *Rakuten Mobile* (limited to MNO B2C subscribers) in the year preceding September 2024, and whose purchasing trends over the preceding year from the relevant month are similar to those of subscribers. Among the same set of users, *Rakuten Travel* GTV was 13.5% higher for subscribers as compared to non-subscribers, and *Rakuten Card* GTV was 26.8% higher for subscribers as compared to non-subscribers. Users who had a *Rakuten Mobile* contract (MNO B2C) from March 2020 to October 2022 used, on average, an additional 2.45 of our services (limited to services eligible for earning *Rakuten Points* and including their *Rakuten Mobile* contracts) in a month after two years since signing a *Rakuten*

Mobile contract. During the three-month period ended September 30, 2024, when comparing the average revenue Rakuten Ecosystem received from *Rakuten Mobile* subscribers versus non-subscribers, subscribers were the source of an additional average monthly revenue per user of ¥762 and, if limited to those who have been *Rakuten Mobile* subscribers over one year, ¥905 (counting the relevant revenue at the specified businesses for which Mobile Ecosystem Contribution is calculated; see "Presentation of Financial and Other Information—Note Regarding Comparability of Financial Information—Segment Reorganizations—2024 Changes in Measurement Methods of Segment Revenue and Segment Profit (Loss)".)

Our Strategies

Significantly expand the Rakuten Ecosystem by further developing our Mobile business

The importance of mobile devices, particularly smartphones, in daily life has increased significantly, becoming all but indispensable to individuals and businesses. We believe that our business model of providing a variety of services centered around the Internet and technology means that operating our own mobile network is of vital importance on many levels. In particular, our mobile network is an important touchpoint for new and existing users that has the potential to become a gateway for them to use an increasingly broad range of our services. Given the effect of Mobile Ecosystem Contribution and increased cross-use by *Rakuten Mobile* subscribers compared to non-subscribers, we view *Rakuten Mobile* as a significant priority and believe that it has the potential to allow us to achieve significant growth. We aim to continue to increase cross-usage through the creation of additional synergies among our businesses and to increase user loyalty to the Rakuten Ecosystem centered on expansions of *Rakuten Mobile*. We believe this will allow us to achieve additional growth in our Internet Services and FinTech segments as well by leveraging the accelerated expansion of the Rakuten Ecosystem and our strong customer base.

Achieve the ability to self-fund through significant improvements in our Mobile Segment backed by achieving structural profitability in our Mobile business as well as growth in our Internet Services and FinTech Segments

Targeting "Self-Funding"

We have funded *Rakuten Mobile*'s capital expenditures and operating expenditures to date through a combination of equity and loan funding from Rakuten Group, Inc. and through lease financings, securitizations, sale and leaseback transactions and other initiatives at *Rakuten Mobile*. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Recent Developments—Capital Raise Through Sale and Leaseback of *Rakuten Mobile*'s Mobile Network Assets." Rakuten Group, Inc., in turn, has funded its equity in and loans to *Rakuten Mobile* through a diverse array of sources, including bank loans and the issuance of debt and equity securities in the capital markets, free cash flows from our Internet Services segment and monetizations of assets and businesses. Rakuten Group, Inc. has also used the significant cash flows available to it from businesses in our FinTech segment. These businesses, which are generally regulated entities and independently funded, provide funds through dividends and the payment of management fees or (in the case of listed or to-be-listed entities) "core asset" usage fees, as do other of our subsidiaries. Because of the significant funding requirements of *Rakuten Mobile*, bank loans and funding from the capital markets have been critical in recent years. Moving forward, however, we seek to decrease funding needs for *Rakuten Mobile*, continue to grow free cash flows from our Internet Services segment and grow cash from our FinTech subsidiaries in the form of dividends and management and "core asset" fees. Combined with, to the extent necessary, monetization of assets and businesses, we seek to establish "self-funding," whereby we are able to meet funding needs for *Rakuten Mobile's* capital expenditures, operating cash flows and interest expense (consisting of interest expense and cash for lease expenses under IFRS 16 at entities outside of our FinTech segment) through free cash flows from our Internet Services segment, cash received from our FinTech subsidiaries and the proceeds of securitizations and lease transactions as well as the sale and leaseback transaction at *Rakuten Mobile*, in 2024 and beyond, rather than through bank financing or by accessing debt capital markets. In the third quarter of 2024, we achieved our self-funding goal on a quarterly basis, and we plan to make further efforts to meet our self-funding target consistently in the future.

Achieve structural profitability in the Mobile business

In the short period of time since launching full-scale commercial services, we believe that we have successfully established the business foundation of our Mobile business, which we call phase one. In phase two

beginning in 2023, we have sought to establish lean management in this business by improving our user experience through our roaming arrangement with KDDI and now with the commencement of the roll-out of 700 MHz "platinum band" spectrum, and by increasing our subscriber base through the acquisition of new subscribers as well as by decreasing churn, growing ARPU, maintaining reduced capital expenditures and costs and continuing to develop our network. Lastly, in phase three, to commence from 2024 and onwards, we will strive to achieve profitability in this business in the coming years and move towards becoming one of Japan's leading mobile carriers in the long term.

In the current phase of our Mobile strategy (i.e., phase three), we have developed a concrete business plan to establish a structure that we anticipate will lead to profitability and the self-funding of our operations. On May 11, 2023, we and KDDI announced that we had agreed to enter into a new roaming arrangement making selected KDDI base stations in urban areas in Tokyo, Osaka and Nagoya which were previously not subject to our roaming arrangement available for our subscribers, in addition to certain urban indoor areas (including subways, underground areas, tunnels and indoor facilities) and rural areas. While the implementation of the roaming agreement with KDDI was completed by March 2024, we continue to work on the necessary updates to our network and resolution of technical issues required to fully realize the anticipated benefits by the users, including the seamless switching between KDDI's base stations and ours. The roaming arrangement will remain in effect until September 2026, with extensions to be decided upon consultation between us and KDDI.

In June 2023, we commenced our SAIKYO plan, allowing for unlimited high speed roaming on KDDI's network in applicable locations. Unlimited usage commenced in June 2023; in urban areas, we and KDDI continue to make adjustments to the applicable base stations and technical improvements to the switching arrangements. We believe this has allowed and will increasingly allow our subscribers to experience significant improvements in user experience resulting from our arrangement with KDDI even before we complete improvements to our own network, including the roll-out of the recently allocated "platinum band" spectrum. See "Business—Our Business Operations—Mobile Segment—Telecommunications Business—Our Products and Services." By improving user experience with the roaming arrangement and the SAIKYO plan, we are seeking to directly address the main reasons given by the cancelling subscribers and to maintain low churn rates and increase our subscriber numbers, while alleviating the extent of immediate significant additional capital expenditures required for the construction of physical base stations. Since introducing the SAIKYO plan, we have seen an increase in MNO subscribers, which grew from 4.56 million as of March 31, 2023 to 5.90 million as of December 31, 2023 and then to 7.41 million as of November 10, 2024 (in each case, excluding BCP and MVNE). Excluding BCP lines provided to enterprise customers, total MNO subscribers surpassed 7 million for the first time on June 16, 2024. On October 18, 2024, the total number of subscribers (including MVNO, MVNE and BCP subscribers) surpassed 8 million, and on November 10, 2024, the number reached 8.12 million. We have also seen additional declines in churn, which reached 1.68% on a quarterly basis in the third quarter of 2024, or 1.09% when adjusting for churn within the same month as initial subscription (for example, consumer subscribers may use *Rakuten Mobile* to switch back to another carrier in order to receive that carrier's mobile number portability ("MNP") bonus) and cancellations due to contract reviews and reevaluation of transactions with some agents for B2B.

At the same time, we continue to seek improved network performance. In particular, on October 23, 2023, we received approval from the MIC for our special base station deployment plan for the expansion of mobile communications systems, including an allotment of spectrum, in the 700 MHz frequency spectrum, also known as the "platinum band." Based on this approval, we launched commercial services using the 700 MHz band in June 2024 and plan to continue expanding platinum band services using *Rakuten Mobile*'s network of base stations in order to provide even higher-quality mobile service to customers as well as to reduce our reliance on our relationship with KDDI and roaming fees paid to it without harming our ability to maintain and grow our subscriber base. See "Business—Our Business Operations—Mobile Segment—Telecommunications Business—Our Products and Services." In particular, in light of the bandwidth allocated to us (3 MHz within the 700 MHz band), we are seeking to use this additional spectrum (together with roaming on KDDI's platinum band spectrum in applicable locations) to address coverage holes particularly in indoor locations in urban areas as opposed to widespread use in densely populated areas. By managing base station selection, design and implementation, we are seeking to achieve targeted coverage improvements, particularly increased penetration in and around buildings, while preventing capacity issues.

We believe that the benefits of the roaming arrangement and the SAIKYO plan will allow us to decrease the amount of capital expenditures we expect to make for *Rakuten Mobile* through 2025 by nearly ¥300 billion in

the three years ending December 31, 2025 compared to our previous plans, which called for a total of ¥570 billion during the same period, significantly reducing our need for new funding. The total capital expenditures for 2023 was ¥177.6 billion, which was below our previously expected level of ¥200 billion. Our network-related capital expenditures in *Rakuten Mobile* (which excludes right of use assets and specified base station establishment fees) totaled ¥64.8 billion in the nine-month period ended September 30, 2024, and we expect the total for 2024 to be below ¥100 billion. We expect a similar amount of capital investments in 2025, which will be primarily focused on 5G network infrastructure. These planned capital expenditure figures contain a portion of the additional capital expenditures that will be required to continue to expand our services on the 700 MHz "platinum band" spectrum allotted to us in October 2023 attributable to 2024 and 2025. Overall, we estimate that cumulative capital expenditures associated with rolling out services on such 700 MHz spectrum will total approximately ¥54.4 billion through 2033, and such capital expenditures are expected to be back-end loaded in the 10-year period. In addition, we expect to record additional capital expenditures of approximately ¥0.9 billion per year through 2033 for base station openings related to the allocation of such 700 MHz spectrum. In terms of operating expenses, pursuant to the terms of the roaming agreement with KDDI, roaming fees have gradually begun to decrease since the fourth quarter of the fiscal year ended December 31, 2023. In December 2023, we achieved a reduction of ¥16 billion in overall network costs (other than depreciation) and selling, general and administrative expenses on a monthly basis as compared to the highest level in the year ended December 31, 2022, surpassing our original goals of a ¥15 billion decrease.

Based on the anticipated effect of the increases in subscribers and maintenance of decreased levels of churn that we are targeting through ongoing improvements in user experience and overall decreases in network costs, combined with our other strategies to increase ARPU and maintain reduced costs at *Rakuten Mobile*, we believe that the roaming arrangement, the roll-out of 700MHz "platinum band" and the SAIKYO plan present a path towards making this business profitable. In recent quarters, improvements at *Rakuten Mobile* have led to reductions in adjusted EBITDA losses in the Mobile segment, while the continued growth of our Internet Services segment improved adjusted EBITDA in that segment. As a result, the sum of adjusted EBITDA in our Internet Services and Mobile segments has improved in recent quarters, with losses measured on this basis decreasing in each quarter of 2022 and 2023. We have achieved overall positive adjusted EBITDA from these two segments on a combined basis in the three-month period ended December 31, 2023 and the three-month periods ended June 30, 2024 and September 30, 2024. Based on the strategies described herein, we are now seeking to break even for Rakuten Mobile, Inc. on a monthly adjusted EBITDA basis by the end of 2024 and on an annual adjusted EBITDA basis in 2025. Based on our current model, we believe this can be achieved if we are able to reach between 8 and 10 million MNO subscribers excluding BCP subscribers and MVNE (although *Rakuten Mobile*'s total number of subscribers including MVNO, MVNE and BCP has surpassed 8 million as of October 18, 2024, the number of subscribers excluding BCP and MVNE was 7.41 million as of November 10, 2024), with an ARPU of between ¥2,500 and ¥3,000 per month, as compared to ¥2,039 (prior to the effect of Mobile Ecosystem Contribution) and ¥2,801 (including the effect of Mobile Ecosystem Contribution), respectively, in the three-month period ended September 30, 2024, and by achieving total costs of between ¥23 billion and ¥25 billion per month, which we have achieved as our total costs were reduced to ¥23 billion in December 2023. "Total costs" for these purposes consist of network costs (but excluding depreciation and amortization) and selling, general and administrative expenses for the mobile segment. See "Managements Discussion and Analysis of Financial Condition and Results of Operations—Adjusted/Non-GAAP Financial Measures" for a definition of adjusted EBITDA, a discussion of the relevant adjustments and a reconciliation to the most directly comparable measures presented in accordance with IFRS.

The targets for achieving profitability at Rakuten Mobile set forth above and elsewhere in this offering circular are not forecasts or projections thereof. These targets reflect our beliefs and expectations, based on information available to us, as of the date of this offering circular, and are subject to change. In formulating such targets, we have made a number of assumptions and estimates, including the general continuation of the current state of external factors such as macroeconomic factors and the industry environment for each of our businesses, our ability to continue to grow Rakuten Mobile's subscriber base at the current pace, our ability to continue to increase ARPU at Rakuten Mobile and our ability to continue to manage costs at Rakuten Mobile. Our ability to achieve these targets will depend not only on the accuracy of our assumptions, but also our ability to successfully implement the strategies for our business, including the strategies for Rakuten Mobile as well as our other businesses and the Rakuten Ecosystem in general, described herein. Moreover, our ability to achieve such targets may be materially and adversely affected by the occurrence of any of the risks and uncertainties set forth in "Risk Factors" and elsewhere in this offering circular, including, but not limited to, "Risk Factors—Risks Relating to Our Business Generally—Rakuten Mobile exposes us to significant risks, and we may be unable

to recoup our investments in it or make it profitable on our expected timeline or at all." There can be no assurance that we will meet these targets and you should not place undue reliance on them. You should make an independent assessment of our business prospects and future performance based on the other information provided in this offering circular.

The foregoing includes forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. See "Forward-Looking Statements."

Continue to grow our subscriber base by targeted marketing and a streamlined sign-up process

We believe that the SAIKYO plan has the potential to significantly accelerate user acquisition. According to a survey conducted by MMD Labo between February 2, 2024 and February 5, 2024, out of a sample size of 6,141 respondents, of all respondents considering switching carriers using MNP, *Rakuten Mobile* was the most popular potential choice at 22.5%. Of the 9,841 respondents, 30.4% responded that their willingness to switch was affected by the high prices of their existing plans. We believe this exemplifies the attractiveness of the roaming arrangement and the SAIKYO plan, and once the full implementation of the roaming arrangement and the anticipated network improvements are completed, we plan to intensify our ongoing disciplined marketing initiatives, such as advertising through our other sites and services and through *Rakuten Point*-related initiatives, targeted primarily at existing Rakuten Ecosystem users who are not already subscribers, through advertisements on our existing webpages and through our other services, to increase their awareness of these benefits. According to data released by MMD Research Institute from February to September 2024 (with a sample size of 33,106 smartphone users with multiple phone plan subscriptions), *Rakuten Mobile* had the highest increase in the rate of "main line" usage among the MNO operators in Japan, which refers to smartphone users selecting *Rakuten Mobile* as their primary carrier rather than a supplementary subscription.

In response to an increasing number of younger subscribers and to further expand across various demographic groups, *Rakuten Mobile* has also implemented a series of targeted programs under its SAIKYO plan to attract and retain users from different age groups. In February 2024, *Rakuten Mobile* began offering the "SAIKYO Family Program", which provides family discount from the SAIKYO plan, and in March 2024, *Rakuten Mobile* began offering the "SAIKYO Seishun Program," which provides 110 *Rakuten Points* per month to the SAIKYO plan subscribers aged 13 to 22 years old. In May 2024, *Rakuten Mobile* launched the "SAIKYO KIDS Program" to support children's first smartphones, offering a price as low as ¥528 (tax included) per month for children until the age of 13 if data usage is below 3GB. In September 2024, *Rakuten Mobile* began offering the "SAIKYO Senior Program" which provides 110 *Rakuten Points* per month to the SAIKYO plan subscribers who are 65 years old and above. See "Business—Our Business Operations—Mobile Segment—MNO Business."

These planned marketing initiatives will be supported by our streamlined sign-up process. Beginning in early July 2023, we now allow for streamlined sign-up and activation of data-only e-SIMs through existing Rakuten ID accounts, a unique benefit allowing for quick, low-barrier switching to *Rakuten Mobile* and made possible by the Rakuten Ecosystem and our technological know-how. On August 31, 2023, we expanded this streamlined sign-up and activation process to include voice-enabled SIMs as well. This streamlined sign-up feature complements one-stop MNP, which began for all MNOs in late May 2023, differentiating *Rakuten Mobile* from its competitors. In February 2023, we also instituted an attractive referral program, whereby referring subscribers receive up to 7,000 *Rakuten Points* per person referred, while new subscribers who are referred receive up to 3,000 points (before August 1, 2023) or 6,000 points (on or after August 1, 2023). Starting from February 1, 2024, we further boosted our referral program by offering up to 13,000 points for new MNP subscribers who are referred.

Expanding ARPU and reducing operating costs

We have also made significant progress in improving ARPU, particularly for data, with the attractive tiered pricing of our Rakuten UN-LIMIT VII plan in July 2022 (which has been maintained for the SAIKYO plan) and the end of our no charge and point back promotions, the last of which ended October 2022. ARPU (before Mobile Ecosystem Contribution) has increased from ¥1,456 for the three-month period ended September 30, 2022 to a peak of ¥2,056 for the three-month period ended September 30, 2023. While ARPU (before Mobile Ecosystem Contribution) declined to ¥1,966 for the three-month period ended March 31, 2024, we have successfully returned to growth, with ARPU increasing to ¥2,039 (prior to the effect of Mobile Ecosystem Contribution) and ¥2,801 (including the effect of Mobile Ecosystem Contribution), respectively, for

the three-month period ended September 30, 2024, driven particularly by growth in data fees, with the monthly average data volume per B2C user reaching 29.0 GB in the three-month period ended September 30, 2024, an increase of approximately 6.6 GB per month compared to September 2023. We believe that this increase in ARPU, when combined with our targeted expansion in our user base, will help provide us with significantly expanded revenue opportunities.

In terms of the cost structure of *Rakuten Mobile*, we have implemented a number of cost reduction initiatives. By accelerating the automation of operations and carefully selecting development projects, we are targeting reductions in base station construction costs. By closing unprofitable shops and reducing personnel, optimizing our distribution network and improving device-related logistics, we are targeting reductions in customer acquisition costs. Moreover, pursuant to the terms of the roaming agreement with KDDI, roaming fees have gradually begun to decrease since the fourth quarter of the fiscal year ended December 31, 2023. Through these initiatives, we were targeting overall reductions in cost (consisting of network costs, including depreciation, and selling, general and administrative expenses) of approximately ¥15 billion per month, when comparing our highest monthly levels in the year ended December 31, 2022 against our estimates for the year ended December 31, 2023. As a result of these initiatives, we achieved our monthly cost reduction goal in the three-month period ended December 31, 2023, with a reduction of approximately ¥16 billion for December 2023.

Continue to improve our network's quality and coverage

We also plan to continue to pursue improvements in our own network, including the construction of additional base stations. In particular, we have successfully obtained an allocation in the 700Mhz "platinum band" spectrum, which we believe will significantly improve network quality, particularly in buildings, subways and other hard to penetrate areas. On June 27, 2024, we launched commercial services using 700 MHz "platinum band" spectrum and plan to continue expanding platinum band services using *Rakuten Mobile*'s network of base stations, which we believe will allow us to improve customer satisfaction not only with roaming service but also directly on our network, helping to grow our subscriber base and improve profitability. See "Business—Our Strategies—Achieve the ability to self-fund through significant improvements in our Mobile Segment backed by achieving structural profitability in our Mobile business as well as growth in our Internet Services and FinTech Segments—Achieve structural profitability in the Mobile business." If reallocations of frequencies in the 800 MHz and 900 MHz bands are to be made in the future, we may also seek to be allocated such frequencies. In order to achieve additional population coverage, even in sparsely populated or remote areas, we are also seeking to leverage the satellite technologies of our investee, AST SpaceMobile, which, to the extent they allow for coverage of such areas without the construction of new physical base stations, would allow us to reduce additional capital expenditures required to meet this goal. We aim to commence our service offering using this technology in Japan in 2026.

Pursue a disciplined financial strategy, including the reduction of our total debt by utilizing equity-related financing and proactive debt maturity management to support growth investments

While we continue to actively pursue accelerated growth in our Mobile business, we seek to balance the effect of these initiatives on funding and cash flows with improving our financial health in the mid-to-long term, without an over-reliance on interest-bearing liabilities. In particular, we are committed to a policy of not increasing gross indebtedness. A key component of this strategy is to manage liquidity needs and improve available liquidity under a disciplined financial strategy. We believe we have a consistent track record of successfully achieving these goals, managing our total outstanding debt by diversifying our funding sources to include not only issuances of debt but also including bank loans, monetization of our businesses and investment portfolios, hybrid financings (which term refers to subordinated financing transactions legally structured as debt and with features of both equity and debt), and monetization of assets and businesses. We also conducted an additional sale of *Rakuten Bank* shares in December 2023, resulting in the receipt of net proceeds of ¥59.6 billion. In November 2022, *Rakuten Securities Holdings* sold approximately 19.99% of the outstanding shares of common stock of *Rakuten Securities* to Mizuho Securities for a purchase price of ¥80 billion. In order to further improve our liquidity, on December 15, 2023, *Rakuten Securities Holdings* sold approximately 29.01% of the shares of common stock of *Rakuten Securities* to Mizuho Securities for a purchase price of ¥87 billion. As a result of this share sale, as of the date of this offering circular, *Rakuten Securities Holdings* holds approximately 51% of the shares of *Rakuten Securities*. See "Business—Our Business Operations—FinTech Segment—Online Securities Business—Strategic Alliance between *Rakuten Securities Holdings* and Mizuho Securities." We also maintain continued support from relationship banks with a ¥150 billion commitment line

which was undrawn as of September 30, 2024. Our financing strategies have helped us maintain sufficient liquidity. Rakuten Group, Inc., which is the key funding entity for the Internet Services and Mobile segments, has recorded standalone cash and cash equivalents balances of ¥180.2 billion, ¥110.1 billion, ¥304.4 billion, ¥92.6 billion, ¥208.0 billion and ¥679.9 billion, respectively, as of each of December 31, 2019, 2020, 2021, 2022 and 2023 and September 30, 2024.

On September 30, 2024, we announced that *Rakuten Card* and Mizuho Financial Group, Inc. agreed to consider a strategic capital and business alliance. Further to this announcement, Rakuten Group and Mizuho Financial Group concluded a share sale agreement on November 13, 2024, pursuant to which Mizuho Financial Group agreed to purchase 14.99% of the outstanding shares of *Rakuten Card* for a purchase price of ¥164,997 million, as well as a related shareholder agreement in respect of the shares of *Rakuten Card*. This purchase was completed on December 1, 2024. We expect that *Rakuten Card* will continue to be a consolidated subsidiary of Rakuten Group, Inc. after the effective date of the alliance. Rakuten Insurance Holdings Co., Ltd., previously a 100% consolidated subsidiary of *Rakuten Card*, is not included in the alliance and its shares have been transferred to Rakuten Group, Inc. See "Business—Our Business Operations—FinTech Segment—Credit Card Business—Strategic Capital and Business Alliance between *Rakuten Card* and Mizuho Financial Group, Inc. and Business Alliance Among Rakuten Group, *Rakuten Card*, Mizuho Financial Group, Mizuho Bank, UC Card and Orient Corporation." We proactively manage the maturity profile of our indebtedness, extending maturities to relieve funding pressure. For example, in February 2024, we issued an aggregate principal amount of $1,800 million of 11.250% senior notes due 2027, and used a portion of the proceeds to repurchase an aggregate of $966.1 million of U.S. dollar-denominated senior notes scheduled to mature in 2024. We used the remaining proceeds to fund repurchases of our yen-denominated bonds scheduled to mature in 2024. In addition, on April 10, 2024, we completed an offering of $2.0 billion aggregate principal amount of 9.75% senior notes due 2029. We plan to use the proceeds from the sale of the notes to fund the redemption and/or repurchase of our senior bonds scheduled to mature in 2024 or later, and on April 24, 2024, we completed a private placement of ¥50.0 billion aggregate principal amount of 6.00% senior notes due 2029. We plan to use the proceeds from the sale of the notes to repay existing bonds. Accordingly, we have addressed a significant portion of our funding needs for redemptions of bonds scheduled to come due in 2024 and 2025. Through these offerings, we are further seeking to address funding needs for redemptions of bonds scheduled to mature in 2024 or later.

In addition, we plan to seek to reduce our overall indebtedness on a gross basis by using the proceeds of monetization of assets and businesses. We believe that we have ample potential sources of capital for this initiative, including potential asset sales or other monetizations of *Rakuten Capital*'s portfolio, the potential listing of *Rakuten Securities Holdings* and seeking potential third-party capital investments at *Rakuten Symphony*. Given our consistent track record of successful monetization of assets and businesses and other equity-type financing as discussed above, we believe we will be able to secure additional funding of this type to reduce our reliance on interest-bearing liabilities.

In order to further reduce our cost rising from interest-bearing liabilities, we have been seeking to improve our credit ratings and conduct refinancings as needed. In addition to senior indebtedness, we have also issued a number of series of subordinated bonds. As of September 30, 2024, we had ¥159 billion of Japanese-yen denominated subordinated bonds, $1.75 billion of U.S. dollar-denominated subordinated bonds and €1 billion of euro-denominated subordinated bonds (in each case, on a principal amount basis; while our U.S. dollar- and euro-denominated subordinated bonds are legally structured as bonds, in light of their terms, we treat them as equity instruments under IFRS for purposes of our consolidated financial statements) outstanding. Each of such series of bonds is eligible for a certain level of equity credit from the relevant ratings agencies, and our policy is to repay or refinance such bonds at the first call date with instruments eligible for at least the same level of equity credit from the relevant ratings agencies (whether legally structured as bonds or as equity securities). To address these upcoming refinancing needs, we have undertaken several initiatives. In February 2024, we filed a shelf registration statement in Japan for the offering in Japan of up to ¥100 billion aggregate principal amount of bond-type class shares that we designed with the intention that these shares be eligible for a certain level of equity credit from the ratings agencies, if and to the extent issued. Our annual general meeting of shareholders approved amendments to our Articles of Incorporation necessary for the issuance of such class shares in March 2024. Now, we are preparing for the refinancing of our yen-denominated subordinated bonds, including our ¥50 billion 1.81% subordinated bonds due November 2055, which become callable in November 2025, and our ¥26 billion 2.61% subordinated bonds due December 2055, which become callable in December 2025 through the offering of the notes.

VISION 2030: Our vision for Rakuten's long-term future

VISION 2030 is our long-term vision for Rakuten's future. As part of this vision, we seek to attain overall domestic e-commerce GMS of over ¥10 trillion annually, envisioning revenue and Non-GAAP Operating Income of approximately ¥2,700 billion and approximately ¥410 billion, respectively, in the year ending December 31, 2030 (compared to ¥1,212 billion and ¥77 billion, respectively, in the year ended December 31, 2023), leading to a Non-GAAP Operating Income margin of approximately 15%, compared to 6.3% for the year ended December 31, 2023. In the FinTech segment, at *Rakuten Card*, the main payment method in the segment, the total number of cards issued to *Rakuten Card* cardholders has surpassed 30 million (including multiple cards held by the same cardholders) as of December 2023, marking the achievement of the first of our "triple threes" mid-term targets – 30 million cards issued, ¥30 trillion of shopping GTV and 30% of the domestic credit card GTV share in the mid-term. We envision revenue and Non-GAAP Operating Income in the FinTech segment of approximately ¥1,600 billion and approximately ¥330 billion, respectively, in the year ending December 31, 2030 (compared to ¥725 billion and ¥123 billion, respectively, in the year ended December 31, 2023), leading to a Non-GAAP Operating Income margin of approximately 20%, compared to 16.9% for the year ended December 31, 2023. In the Mobile segment, we aspire to reach approximately 24 million individual subscribers and approximately 7 million business subscribers at *Rakuten Mobile*, envisioning operating leverage driving profit after reaching a break-even point that we strive to reach in the coming years.

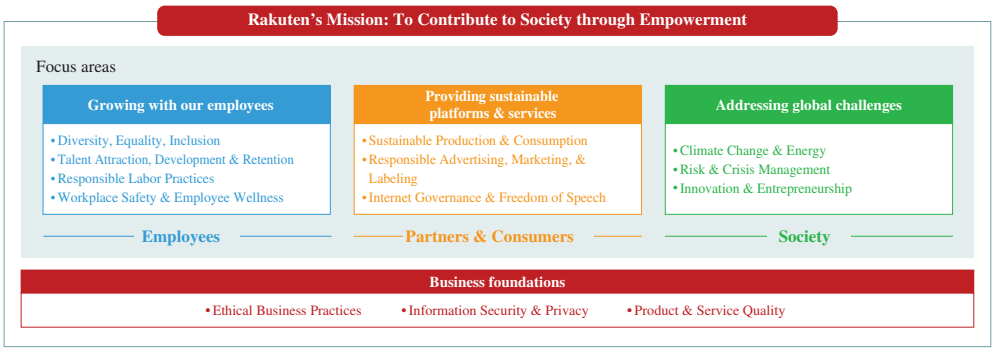
The goals, visions and aspirations forming a part of VISION 2030 and set forth above and elsewhere in this offering circular represent our goals, visions and aspirations for our future performance, and are not forecasts or projections thereof. These goals, visions and aspirations reflect our beliefs and expectations, based on information available to us as of the date of this offering circular, and are subject to change. In formulating such goals, visions and aspirations, we have made a number of assumptions and estimates, including the general continuation of the current state of external factors such as macroeconomic factors and the industry environment for each of our businesses. We have also made assumptions regarding the development and growth of the Rakuten Ecosystem, as well as with regards to our business, including the performance of our business, operating and funding costs, capital expenditures and other spending plans, technological developments, employment and other factors. For example, in addition to assumptions about the operating environment for our FinTech businesses such as the continued digitalization of financial industries, we assumed that Rakuten Card, as the main payment business in the segment, will drive its own business as well as cross-use of other businesses in the FinTech segment and cross use of businesses across the Rakuten Ecosystem in a manner that permits sustainable growth. Our ability to achieve these goals, visions and aspirations will depend not only on the accuracy of such assumptions, but also our ability to successfully implement the strategies for our business described herein. Moreover, our ability to achieve such goals, visions and aspirations may be materially and adversely affected by the occurrence of any of the risks and uncertainties set forth in "Risk Factors" and elsewhere in this offering circular, including, but not limited to, "Risk Factors—Risks Relating to Our Business Generally—We may be unable to successfully implement our growth strategies or to meet our goals, visions and aspirations." There can be no assurance that we will meet these goals, visions and aspirations and you should not place undue reliance on them. You should make an independent assessment of our business prospects and future performance based on the other information provided in this offering circular.

The foregoing includes forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. See "Forward-Looking Statements."

Continue to seek sustainable, responsible growth, including through the pursuit of carbon neutrality

Since our foundation, we have sought to revitalize Japan by providing services that empower merchants and local economies over the long term. As a global company, this philosophy of empowerment remains unchanged, and our mission to contribute to society resonates particularly with the concept of sustainability. As part of this commitment, in November 2021, we established the Rakuten Group Sustainability Committee, made up of a cross-border management team chaired by the CWO (Chief Well-being Officer), with the goal of strengthening the Rakuten Group's framework for implementing sustainability measures. The Committee discusses and makes senior management-level decisions on ESG (Environmental, Social, and Governance) risks, notably challenges associated with our focus areas. It is a place for sharing information, such as stakeholder expectations and industry best practices, and for decision making on strategy and target setting, for example. We

have identified three key areas of focus, as well as three key business foundations, upon which our mission is based:



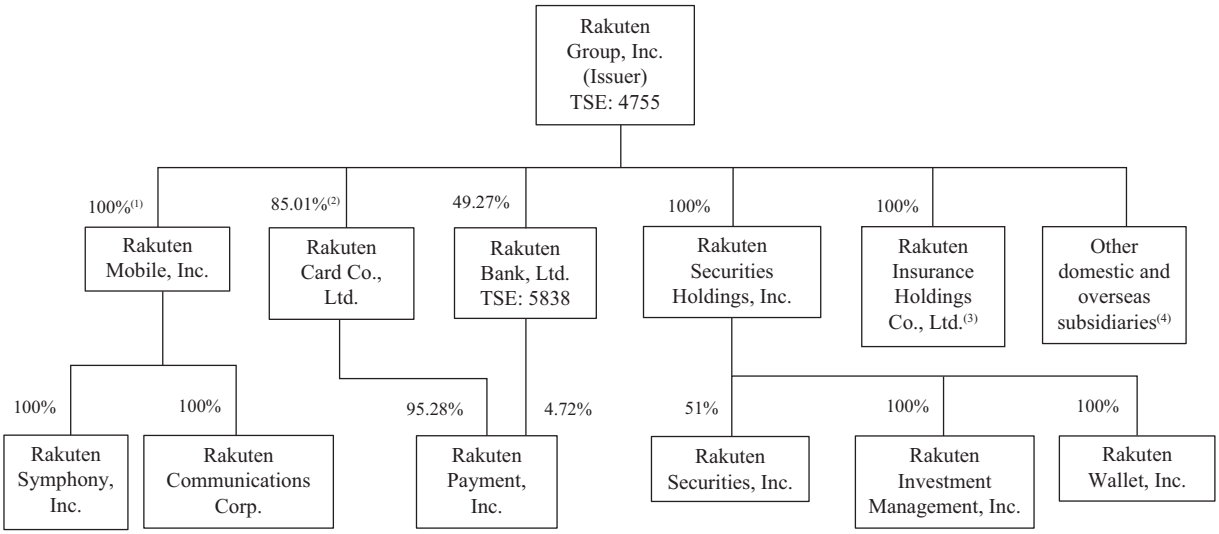
In particular, we will continue striving to mitigate climate change through an environment-conscious platform established with our business partners and users, doing our part to help realize a carbon neutral society by 2050. Internally, we are committed to strengthening our internal organization and systems, setting science-based targets, and ensuring transparency in order to achieve carbon-neutrality. At Rakuten Group, on a standalone basis, we have adopted 100% renewable electricity (including under Non-Fossil Certificates) since 2021 and achieved net zero carbon emissions of Scope 1 and 2 on a group consolidated level in 2023.

Company Information

Our head office is located at 1-14-1 Tamagawa, Setagaya-ku, Tokyo 158-0094, Japan, and our telephone number is +81-50-5581-6910. Our corporate website is *http://global.rakuten.com/corp/*. The information on our website does not constitute a part of this offering circular.

Organizational Structure

The following is a simplified summary of our corporate structure as of the date of this offering circular. The chart does not include all of our subsidiaries and affiliates.



Notes:

(1) All shares of *Rakuten Mobile* are entrusted by us to Rakuten Trust Co., Ltd. This is a mechanism designed to protect investors in the securitization of *Rakuten Mobile*'s telecommunication fee receivables. Under this mechanism, if conditions are met such as our credit rating falling below a certain level, the authority to give instructions for all voting rights will be transferred to an independent third party entity named RM Trust, and *Rakuten Mobile* will be able to prevent any impact due to the diminishment of our creditworthiness. Because we currently hold beneficiary rights including the authority to give instructions for all voting rights, it is included in the percentage of voting rights held.

(2) On September 30, 2024, we announced that *Rakuten Card* and Mizuho Financial Group, Inc. agreed to consider a new strategic capital and business alliance. Further to this announcement, *Rakuten Group* and Mizuho Financial Group

concluded a share sale agreement on November 13, 2024, where Mizuho Financial Group had agreed to purchase 14.99% of the outstanding shares of *Rakuten Card* for a purchase price of ¥164,997 million. This purchase was completed on December 1, 2024. We expect that *Rakuten Card* will continue to be a consolidated subsidiary of Rakuten Group, Inc. See "Business—Our Business Operations—FinTech Segment—Credit Card Business—Strategic Capital and Business Alliance between *Rakuten Card* and Mizuho Financial Group, Inc. and Business Alliance Among Rakuten Group, *Rakuten Card*, Mizuho Financial Group, Mizuho Bank, UC Card and Orient Corporation."

(3) Rakuten Insurance Holdings Co., Ltd., previously a 100% consolidated subsidiary of *Rakuten Card*, has become a direct subsidiary of Rakuten Group, Inc. since December 1, 2024. See "Business—Our Business Operations—FinTech Segment—Credit Card Business—Strategic Capital and Business Alliance between *Rakuten Card* and Mizuho Financial Group, Inc. and Business Alliance Among Rakuten Group, *Rakuten Card*, Mizuho Financial Group, Mizuho Bank, UC Card and Orient Corporation."

(4) Other direct and indirect domestic and overseas subsidiaries include Ebates Inc. (operating under the *Rakuten Rewards* brand), Rakuten Kobo Inc., Viber Media S.a.r.l. and Rakuten Energy, Inc. among others.

Summary Risk Factors

Investing in the notes involves a number of risks, and prospective investors are urged to carefully consider the matters discussed under "Risk Factors" prior to making an investment in the notes. Such risks include, but are not limited to:

- Risks Relating to Our Business Generally:
  - *Rakuten Mobile* exposes us to significant risks, and we may be unable to recoup our investments in it or make it profitable on our expected timeline or at all;
  - Our high levels of indebtedness could adversely affect our financial condition and liquidity, or our ability to administer our business as desired;
  - If we are unable to raise additional funds through bonds or borrowings or refinance existing indebtedness on acceptable terms in the future, due to a ratings downgrade or otherwise, if we are unable to engage in securitization transactions, particularly with respect to *Rakuten Card* or *Rakuten Mobile*, or if we are otherwise unable to raise funds as we desire, our business, financial condition and results of operations could be adversely affected;
  - We may be required to recognize significant impairment losses on our property, plant and equipment or intangible assets, particularly with respect to *Rakuten Mobile*;
  - Our financial condition and results of operations will be adversely affected if we are required to reduce our deferred tax assets, including as a result of changes in expectations for *Rakuten Mobile*;
  - We may not be able to maintain and enhance our Rakuten Ecosystem, which could adversely affect our business and results of operations;
  - If the Internet services industry does not expand and develop as we expect, our business, financial condition and results of operations could be adversely affected;
  - We may be unable to successfully implement our growth strategies or to meet our goals, visions and aspirations;
  - We face intense competition, including from competitors with greater resources than we possess, and such competition may intensify;
  - Our failure to innovate or adapt to changes in technology or customer needs could damage our competitiveness;
  - We face risks from the listing of *Rakuten Bank* and the potential listing of *Rakuten Securities Holdings*;

- Our investments, alliances and collaborations may not produce adequate opportunities or returns;
- Our success depends on the value of the Rakuten brand, and failure to maintain and enhance the value of our brand in a cost-effective manner could harm our results of operations;
- Our results of operations could be adversely affected by negative economic conditions in Japan and overseas;
- Demographic trends in Japan could have a negative effect on our business;
- We are exposed to adverse political or economic developments in the foreign countries in which we operate and other difficulties related to our overseas operations;
- Fluctuations in currency exchange rates or increases in foreign exchange hedging costs could materially and adversely affect our financial condition and results of operations;
- Interruption or failure of our information technology and communications systems due to natural disasters, human error or cyber-attacks could impair our ability to effectively provide our products and services, which could damage our brand and reputation and adversely affect our results of operations;
- If the personal information of our users is mishandled, used inappropriately, leaked, lost or stolen, it may adversely affect the value of our brand, our reputation and our results of operations;
- The loss of or other negative developments involving senior and other key management, in particular Hiroshi Mikitani, could adversely affect our business;
- We rely on third-party providers for key products and services critical to our business and any errors, failures or disruption in the services provided by these third parties could significantly harm our brand, business, financial condition and results of operations;

- Risks Relating to Our Internet Services Segment:
  - We may not be successful in attracting and retaining merchants and maintaining and expanding the user base for our e-commerce services;
  - Fraudulent activities on our websites and disputes relating to the use of our websites and services may harm our business;
  - If our merchants are unable to provide competitive, high-quality products and services, our business, financial condition and results of operations could be adversely affected;
  - Our online travel business is subject to a number of risks, including adverse changes to relationships with travel and accommodation providers and disruptions in the travel industry;
- Risks Relating to Our FinTech Segment:
  - We are exposed to credit risk in connection with our FinTech businesses;
  - Changes in interest rates may significantly affect the profitability of our FinTech businesses;
  - Our financial services businesses are subject to extensive regulation, any amendments to which may further increase our costs of doing business;
  - The volume of our trading activities is heavily influenced by trends in securities and crypto asset markets in Japan;

- We are exposed to liquidity risk;
- Our risk management policies and procedures may not adequately protect us from unidentified or unanticipated risks;

- Risks Relating to Our Mobile Segment:
  - We may be unable to decrease losses at *Rakuten Mobile* or make it profitable;
  - *Rakuten Mobile*'s heavy reliance on the roaming agreement with KDDI, particularly for its SAIKYO plan, subject it to significant risk, and the SAIKYO plan may not provide the benefits we expect;
  - We may be unable to implement the "platinum band" allocated to us successfully or in a cost effective manner, or to receive additional allocations of spectrum;
  - Changes in *Rakuten Mobile*'s service plans or in their positioning compared to competitors, particularly in pricing, may cause us to lose customers to our competitors, harming its ability to increase subscriber charges;
  - *Rakuten Mobile* is subject to extensive laws, government regulations and licensing regimes that restrict and may impose new restrictions on our MNO business;
  - The growth of *Rakuten Mobile* will depend on the satisfactory performance of our network systems;
  - Our MNO business relies heavily on agreements with and support from third parties other than KDDI; and
  - We purchase and lease various equipment, products and services from suppliers for the operation of our MNO network, and our inability to procure such equipment, products or services or defects therein could adversely affect our business.

For a discussion of these and other risks you should consider before making an investment in the notes, see the section entitled "Risk Factors."

THE OFFERING

Certain defined terms used in this section are defined in "Description of the Notes."

Securities Offered:	$550,000,000 aggregate principal amount of 8.125% Undated Subordinated NC5 Fixed Rate Reset Notes
Offering Price:	100.000% plus accrued interest, if any, from December 13, 2024.
Use of Proceeds:	We intend to use the net proceeds from the sale of the notes to redeem or otherwise repurchase and cancel ¥50 billion aggregate principal amount of 1.81% subordinated notes due November 4, 2055 and ¥26 billion aggregate principal amount of 2.61% subordinated notes due December 13, 2055, in each case on or prior to their respective first call dates. Any remaining proceeds from the offering are expected to be used for general corporate purposes, including to repurchase or redeem Rakuten Group, Inc.'s outstanding senior notes. Certain affiliates of Mizuho Securities USA LLC, Goldman Sachs & Co. LLC and SMBC Nikko Securities America, Inc., each of whom are acting as initial purchasers, hold a portion of the subordinated notes which will be redeemed or repurchased with the proceeds from the sale of the notes. See "Plan of Distribution—Other Relationships."
No Fixed Maturity; No Change of Control Events:	The notes will be perpetual securities in respect of which there is no fixed maturity date. The notes are not subject to any optional or mandatory redemption or other features triggered by a change of control.
Minimum Denomination	The notes will be in denominations of $200,000 and integral multiples of $1,000 in excess thereof.
Interest:	The notes will bear interest on their principal amount from (and including) the Issue Date to (but excluding) December 15, 2029 (the "First Reset Date") at a rate of 8.125 percent per annum, payable semi-annually in arrears on June 15 and December 15 of each year. Thereafter, unless previously redeemed, for each Interest Period the notes will bear interest at a rate per annum equal to the 5 Year Treasury Rate plus Margin, payable semi-annually in arrears on June 15 and December 15 of each year. See "Description of the Notes—Interest Payments."
Status	The notes will be our direct, unsecured and subordinated obligations and will rank *pari passu* and without any preference among themselves.
Subordination:	Upon the occurrence of a Subordination Event, our obligations pursuant to the notes will be subordinated in right of payment (except as otherwise provided by mandatory provisions of law) to all Senior Obligations, rank substantially *pari passu* with all Parity Obligations and rank senior to all Junior Obligations. So long as such Subordination Event continues, no payment will be made with respect to such note unless and until the relevant Subordinate Payment Conditions have been satisfied, and to the extent any Senior Preference Shares are then outstanding, the holder of any such note will only become entitled to the Subordination Claim Amount. The subordination of the notes is further described in "Description of the Notes—Subordination."

Optional Interest Deferral:	We may, at our sole discretion, elect to defer (in whole or in part) any Interest Payment (a "Deferred Interest Payment") which is otherwise scheduled to be paid on an Interest Payment Date by giving a Deferral Notice of such election to the holders, the Trustee, the Calculation Agent and the Paying Agent. Except as described in "Mandatory Settlement," if we elect not to make all or part of any Interest Payment on an Interest Payment Date, then we will not have any obligation to pay such interest on the relevant Interest Payment Date. Any Deferred Interest Payment will itself bear interest (such further interest together with the Deferred Interest Payment, "Arrears of Interest"), at the relevant Interest Rate applicable from time to time, from (and including) the date on which (but for such deferral) the Deferred Interest Payment would otherwise have been due to be made to (but excluding) the relevant Optional Deferred Interest Settlement Date or Mandatory Settlement Date, in each case such further interest being compounded on each Interest Payment Date. Non-payment of interest deferred by us will not constitute a default by us under the notes or the Indenture or for any other purpose. Arrears of Interest may be satisfied at our option, in whole or in part, at any given time (the "Optional Deferred Interest Settlement Date") following delivery of a notice to such effect given by us to the holders, the Trustee, the Calculation Agent and the Paying Agent informing them of our election so to satisfy such Arrears of Interest and specifying the relevant Optional Deferred Interest Settlement Date.
Mandatory Settlement of Arrears of Interest:	Notwithstanding the terms of the notes relating to our ability to defer Interest Payments, we will pay any outstanding Arrears of Interest in whole, but not in part, on the first occurring Mandatory Settlement Date following the Interest Payment Date on which any outstanding Deferred Interest Payment was first deferred.
Additional Amounts:	All payments of principal and interest on the notes will be made without withholding or deduction for or on account of withholding taxes imposed by Japan, unless such withholding or deduction is required by law. If the payments are subject to Japanese withholding tax, we will pay such additional amounts (subject to certain exceptions) in respect of Japanese taxes as will result in the payment of amounts otherwise receivable absent any deduction or withholding on account of such Japanese taxes. See "Description of the Notes—Taxation and Additional Amounts." References to principal or interest in respect of the notes shall be deemed to include any additional amounts which may be payable as set forth in the notes and the Indenture.
Optional Redemption:	We may redeem the notes in whole, but not in part, on the relevant First Reset Date or any Interest Payment Date thereafter at their principal amount together with premium, if any, any accrued and unpaid interest up to (but excluding) the redemption date and any outstanding Arrears of Interest.
Special Event Redemption:	If a Special Event has occurred and is continuing, then we may redeem the notes in whole, but not in part, at any time at: (i) (x) 101 percent of their principal amount (in the case of a Tax Deduction Event where such redemption occurs prior to the First

Reset Date) or (y) 100 percent of their principal amount (in the case of a Tax Deduction Event where such redemption occurs on or after the First Reset Date or in the case of a Withholding Tax Event where such redemption occurs at any time); or

(ii) in the case of a Rating Methodology Event, an Accounting Event or a Substantial Repurchase Event (x) 101 percent of their principal amount (where such redemption occurs prior to the First Reset Date) or (y) 100 percent of their principal amount (where such redemption occurs on or after the First Reset Date);

in each case with premium, if any, accrued and unpaid interest up to (but excluding) the redemption date and any outstanding Arrears of Interest.

Termination of Rights for Claims upon Certain Events: ..... Upon the occurrence of a Claim Rights Termination Event (reorganization proceedings (*kaisha kousei tetsuzuki*) or rehabilitation proceedings (*minji saisei tetsuzuki*) under Japanese law or analogous proceedings in other jurisdictions, all as more particularly described in "Description of the Notes"), the holders of the notes will be deemed to have irrevocably waived their right to claim or receive, and will not have any rights against us, the Trustee or the Paying Agent with respect to, payment of principal, any interest, Arrears of Interest or Additional Amounts, except for any payments of any interest, Arrears of Interest or Additional Amounts that have become due and payable prior to the occurrence of the Claim Rights Termination Event.

Replacement Intention: ..... We intend (without thereby assuming a legal obligation) at any time that we will redeem or repurchase the notes only to the extent that the aggregate principal amount of the notes to be redeemed or repurchased does not exceed such part of the net proceeds received by us during the 12 months prior to the date of such redemption or repurchase from the sale, disposal or issuance by us to third-party purchasers (other than our subsidiaries or affiliates) of Replacement Securities, unless, on or after the First Reset Date:

(1) both of (i) and (ii) below are true:

(i) the ICR assigned to us by S&P is Investment Grade and we are satisfied that such ICR would not fall below such level as a result of such redemption or repurchase; and

(ii) on the last date of any fiscal year or fiscal quarter falling within the 12 months prior to the date of such redemption or repurchase, (a) the amount of our Consolidated Adjusted Net Worth is equal to or greater than the amount of our Consolidated Adjusted Net Worth as of December 31, 2023 plus the aggregate principal amount of the notes, our Series 3 JPY Hybrid Bonds, our Series 5 JPY Hybrid Bonds and our Series 6 JPY Hybrid Bonds, and (b) our Consolidated Adjusted Equity Ratio is greater than or equal to 10%; or

(2) even if (1) is not satisfied, if trading is suspended or halted on the Tokyo Stock Exchange; provided that, if at the time that such suspension or halt is lifted, if (1) remains unsatisfied, we intend

	to promptly issue Replacement Securities in the relevant aggregate principal amount. See "Description of the Notes—Replacement Intention."
Global Note:	The notes will be initially represented by one or more global notes in fully registered form without interest coupons. The global notes will be deposited upon issuance with the custodian for DTC and registered in the name of DTC or its nominee. Beneficial interests in the global notes may be held only through DTC (or any successor clearing system that holds global notes) and its participants, including Euroclear and Clearstream. Beneficial interests in the global notes will be shown on, and transfers thereof will be effected only through, records maintained by the depositaries and their participants. The sole holder of the notes represented by the global notes will at all times be DTC or its nominee (or a successor of DTC or its nominee), and voting and other consensual rights of holders of the notes will be exercisable by beneficial owners of the notes only indirectly through the rules and procedures of the depositaries from time to time in effect. Beneficial interests in the global notes may not be exchanged for definitive notes except in the limited circumstances described under "Description of the Notes—Book Entry, Delivery and Form—Exchange of Global Notes for Definitive Notes."
Security Numbers:	The security numbers for the notes are: For the notes sold under Regulation S: ISIN: USJ64264AM64 Common Code: 294795472 CUSIP: J64264AM6 For the notes sold under Rule 144A: ISIN: US75102WAM01 Common Code: 294795448 CUSIP: 75102WAM0
Governing Law:	The Indenture and the notes will be governed by and construed in accordance with the laws of the State of New York.
Rating:	It is expected that the notes will be rated B by S&P Global Ratings Japan Inc., or S&P, BBB- by Rating and Investment Information, Inc., or R&I, and BBB by Japan Credit Rating Agency, Ltd., or JCR. A securities rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Listing and Trading:	Approval in-principle has been obtained from the Singapore Exchange for the listing and quotation of the notes on the Official List of the Singapore Exchange. The Singapore Exchange assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained in this offering circular. Approval in-principle from the Singapore Exchange, admission of the notes to the Official List of the Singapore Exchange, and the listing and quotation of any notes on, the Singapore Exchange are not to be taken as an indication of the merits of us, our subsidiaries, associated companies and joint ventures (if any), this offering or the notes.

	So long as the notes are listed on the Singapore Exchange and the rules of the Singapore Exchange so require, in the event that the global note representing such notes is exchanged for definitive notes in certificated form, we will appoint and maintain a paying agent in Singapore, where the definitive notes in respect of such notes may be presented or surrendered for payment or redemption. In addition, in the event that the global note is exchanged for definitive notes in certificated form, an announcement of such exchange shall be made by us or on our behalf through the Singapore Exchange and such announcement shall include all material information with respect to the delivery of the definitive notes in certificated form, including details of the paying agent in Singapore. Under the rules of the Singapore Exchange, the notes if traded on the Singapore Exchange, are required to be traded in a minimum board lot size of S$200,000 (or its equivalent in foreign currencies). Accordingly, for so long as the notes are listed on the Singapore Exchange and the rules of the Singapore Exchange so require, the notes if traded on the Singapore Exchange, will be traded in a minimum board lot size of $200,000.
Trustee:	Citicorp International Limited
Paying Agent, Calculation Agent, Transfer Agent and Registrar:	Citibank, N.A., London Branch

RISK FACTORS

Prior to making an investment decision, you should carefully consider the risks described below as well as all the other information in this offering circular, including our consolidated financial statements and related notes and other financial information, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Selected Financial and Other Data." The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties that we are unaware of, or that we currently believe are not material, may also become important factors that could adversely affect our business, financial condition and results of operations. Our business, financial condition and results of operations could be materially and adversely affected by, and our ability to make payments of principal or interest under the notes or the trading price of the notes could decline due to any of these risks, and you may lose all or part of your investment.

This offering circular also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including the risks described below and elsewhere in this offering circular. See "Forward-Looking Statements."

Risks Relating to Our Business Generally

Rakuten Mobile exposes us to significant risks, and we may be unable to recoup our investments in it or make it profitable on our expected timeline or at all.

The development, roll-out, launch and expansion of our MNO business, *Rakuten Mobile*, has been one of our key business strategies in recent years, whereby we seek to turn *Rakuten Mobile* into a significant source of new earnings and a driver of overall value in the Rakuten Ecosystem, as well as applying the technologies and knowhow developed in the roll-out of *Rakuten Mobile* into a new overseas business through *Rakuten Symphony*. However, the development of the MNO business has had material and adverse effects on our financial condition and results of operations. We recorded segment losses in our Mobile segment of ¥412,235 million, ¥479,257 million and ¥337,524 million, respectively, in the years ended December 31, 2021, 2022 and 2023, which, in each year, was greater than the combined segment profit of our Internet Services and FinTech segments, which led us to record consolidated operating losses and net losses in each such year. While the scale of segment losses in the Mobile segment has decreased in each quarter since the three-month period ended March 31, 2022, the pace of such decreases has not always been consistent and quarterly segment losses have continued to be significant. As a result, we have continued to record consolidated operating losses and net losses for the year ended December 31, 2023 and for the nine-month period ended September 30, 2024. While operating income turned positive for the three-month period ended September 30, 2024, in order to maintain this trend towards improvement and to eventually return to net profitability, we continue to face formidable challenges in reducing losses at *Rakuten Mobile* and, eventually, making this business profitable, which will require us to continue to attract new subscribers while expanding and maintaining our subscriber base and increasing and maintaining ARPU despite downward pressure on subscriber fees in a market with strong established competitors, and there can be no assurance that we will be able to do so on our expected timeline or at all.

In particular, our current model for reaching the break-even point (in each case, on an adjusted EBITDA basis), for Rakuten Mobile, Inc. calls for achieving an MNO subscriber base excluding BCP subscribers and MVNE of between 8 and 10 million (compared to 7.41 million as of November 10, 2024, the latest date for which data is available) and ARPU of ¥2,500 to ¥3,000 (compared to ¥2,039, prior to the effect of Mobile Ecosystem Contribution, and ¥2,801, including such effect, in the three-month period ended September 30, 2024) in each case, by the end of 2024 to achieve monthly break-even and by 2025 to achieve annual break-even. While subscriber numbers have grown in each quarter since the three months ended December 31, 2022, as of November 10, 2024, we remain 0.59 million subscribers (excluding BCP subscribers and MVNE) short of 8 million, and 2.59 million short of 10 million. While we have reached the target ARPU level when including the effect of Mobile Ecosystem Contribution (although we remain below such level before such effect), any decrease in the effect of Mobile Ecosystem Contribution (including if our initiatives, other than *Rakuten Mobile,* to increase use of our businesses are successful in increasing the relative usage rates of non-subscribers) could return us under this level. Similarly, data ARPU, which is by far the largest component of ARPU, was ¥1,719 for the three-month period ended September 30, 2024. While data and overall ARPU (before Mobile Ecosystem Contribution) grew in each quarter through September 30, 2023, growth stalled in the last quarter of 2023, and ARPU (before Mobile Ecosystem Contribution) decreased in the last quarter of 2023 and the first quarter of 2024 before increasing again in the second and third quarters of 2024. In the fourth quarter of 2023 in particular,

ARPU was negatively affected by the increase in B2B subscribers during the quarter, primarily because subscription fees for corporate subscribers are pro-rated during their first month (as compared to individual subscribers, who are subject to a full month of fees during their first calendar month irrespective of the start date). However, even controlling for this factor, we offer tailored pricing for large business subscribers, which can result in relatively lower ARPU, and the effect of factors such as this slowing growth in ARPU either in the short or longer term may negatively affect our plans to reach profitability for this business. The SAIKYO plan's monthly data pricing tiers for individual subscribers exceed ¥2,000 only when using greater than 20 GB of data (which result in monthly fees of ¥2,980); for corporate subscribers, data use must be over 3 GB (resulting in monthly fees of ¥2,380), over 5 GB (resulting in monthly fees of ¥2,780) or over 30 GB (resulting in monthly fees of ¥2,980) (in each case, excluding tax). Accordingly, a significant portion of our subscriber base would need to move to the highest tier (in the case of corporate subscribers, at least the second-highest) of data usage to enable us to reach our target level of ARPU in the event that the Mobile Ecosystem Contribution decreases significantly, and it cannot be assured that a sufficient number of subscribers would move to the highest tier, or that subscribers currently using the highest tier (or at least second-highest, for corporate subscribers) would not move to a lower tier. These plans also assume that we will be able to continue to effectively manage costs, with monthly network costs (excluding depreciation and amortization) and selling, general and administrative expenses at *Rakuten Mobile* being kept at a level between ¥23 billion and ¥25 billion. While we achieved this in December 2023 and have maintained it since, any changes in costs, including due to factors outside of our control such as inflation, could significantly affect our ability to achieve our goals. Moreover, we have needed to expend significant management, capital and other resources to develop our MNO business, leading to significant increases in our indebtedness and causing third-party ratings agencies to lower our credit ratings, which has led to increased financing expenses as well as negatively affecting our liquidity. Also, the increased use of cash flows from other businesses, including the entities in our FinTech segment, to fund *Rakuten Mobile* has negatively affected the capital accumulation of such businesses.

If we are unable to significantly improve the results of operations of our Mobile segment, we may be unable to return to profitability on a consolidated basis. Moreover, we may be required to recognize impairment losses in respect of all or a significant portion of the property, plant and equipment or intangible assets attributable to *Rakuten Mobile* on a standalone basis, which totaled ¥920,723 million and ¥160,039 million, respectively, as of September 30, 2024, further harming our financial condition and results of operations. We may also be required to further reduce the amounts of deferred tax assets recorded on our consolidated statement of financial position, such as occurred in the year ended December 31, 2023, when the amount of deferred tax assets decreased from ¥290,013 million as of December 31, 2022 to ¥214,777 million as of December 31, 2023, which occurred based mainly on uncertainties surrounding the future financial performance of *Rakuten Mobile* and the protraction of our targeted timing for reaching break-even for *Rakuten Mobile*. Deferred tax assets totaled ¥220,714 million as of September 30, 2024 and included significant amounts of deferred tax assets in respect of net operating loss carryforwards expected to be utilized in the future to offset future taxable income. Our ability to achieve our goal to make the Mobile segment profitable may be negatively impacted as a result of any of the other risks described under "—Risks Relating to Our Business Generally" or "—Risks Relating to Our Mobile Segment."

Our high levels of indebtedness could adversely affect our financial condition and liquidity, or our ability to administer our business as desired.

As of December 31, 2023 and September 30, 2024, we had bonds and borrowings (which do not include borrowings for securities business, bonds and borrowings for credit card business or borrowings for banking business) of ¥1,637,980 million and ¥2,150,376 million, respectively. This high level of debt and the need to service it could have important consequences for our financial condition and liquidity, including:

- requiring us to use a substantial portion of our cash flows for the payment of interest and principal on our indebtedness rather than other purposes such as capital expenditures or other investing activities;

- limiting our ability to flexibly plan for and react to changes in the industries in which we operate or the overall economic environment, making us more vulnerable to major developments in such industries or economic downturns overall;

- requiring us to seek sources of liquidity, such as the sale of assets, debt financing or monetization of assets and businesses, on terms unfavorable or less favorable to us than we would otherwise accept, which measures may nevertheless not successfully enable us to meet our obligations; or

- increasing the costs of new fundings or refinancings as a result of deteriorations in our credit ratings or in our relationships with lenders, as discussed under "—If we are unable to raise additional funds through bonds or borrowings or refinance existing indebtedness on acceptable terms in the future, due to a ratings downgrade or otherwise, if we are unable to engage in securitization transactions, particularly with respect to *Rakuten Card* or *Rakuten Mobile*, or if we are otherwise unable to raise funds as we desire, our business, financial condition and results of operations could be adversely affected."

Furthermore, we are subject to certain financial and other covenants under our borrowing and commitment lines. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Financial Condition and Liquidity—Liquidity and Liquidity Management—Bonds and Borrowings of Rakuten Group, Inc.—Borrowings of Rakuten Group, Inc." If we become unable to meet these financial covenants due to the deterioration of our financial performance, financial position or credit ratings, our lenders could declare the relevant indebtedness immediately due and payable or require us to pay increased interest rates, waiver fees or other charges, or seek to impose additional or more burdensome covenants or other terms upon us as a condition of waiving such defaults. For example, in the year ended December 31, 2022, it became apparent that we would record a second consecutive year of net losses (which is defined for the purposes of the relevant syndicated loans as consolidated revenue less operating expenses, plus net gains on the sales of shares of subsidiaries), which would have caused us to breach the financial covenants under certain of our syndicated loan agreements. Accordingly, we sought waivers of such breach from the lenders thereunder. As part of our request for such waiver, we agreed to modify the relevant covenants such that the recording of a net loss for a single fiscal year would be a breach of the applicable covenants. In the year ended December 31, 2023, as a result of sales of shares of *Rakuten Bank* and of *Rakuten Securities* during such year, these covenants were not breached even though we recorded a consolidated operating loss. If, in future years, it becomes apparent that we will record a net loss for purposes of these covenants, we will be required to seek further waivers from our lenders in order to avoid breaching the relevant covenant. In addition, in June 2024, Rakuten Group, Inc.'s commitment line contract was renewed with an additional covenant that, from the date of the renewal through the date of the termination of the agreement and the repayment of any borrowings outstanding thereunder, as of the end of any fiscal quarter, would be violated if we receive a comment from our auditor indicating the need to recognize any indication of impairment with respect to the tangible or intangible assets of *Rakuten Mobile*, nor may any such impairment be recorded. Accordingly, to the extent that we believe that such covenant may be violated (even if, with respect to the recognition of an indication of impairment, no impairment loss is or will be recorded), we will be required to seek waivers from the lenders under the commitment line to avoid breaching this covenant. However, waivers from lenders, whether under our term loans, commitment lines, or otherwise, may not be forthcoming, or the terms required in return for a waiver may not be favorable. In addition, in the case of our term loans, we may alternatively seek to sell shares of subsidiaries or engage in other transactions in order to avoid recording a net loss for the purposes of the relevant covenants; however, this may require accepting pricing or other terms that are unfavorable or less favorable to us than we would otherwise desire, even if we are able to engage in such transactions successfully or at all. If we fail to comply with the terms and conditions of the covenants, or if our lenders are unwilling to provide waivers, we may be required to pay back all of the indebtedness under the relevant agreement immediately, and a failure to do so could result in an event of default. Moreover, substantially all of our senior indebtedness including that under commitment lines is subject to cross-default or cross-acceleration provisions. Defaults arising from a breach of a covenant, other event of default under the relevant agreements or the acceleration of any of our indebtedness arising as a result may in turn trigger such provisions, which could have drastic adverse effects on our liquidity position and the value of our securities.

If we are unable to raise additional funds through bonds or borrowings or refinance existing indebtedness on acceptable terms in the future, due to a ratings downgrade or otherwise, if we are unable to engage in securitization transactions, particularly with respect to Rakuten Card or Rakuten Mobile, or if we are otherwise unable to raise funds as we desire, our business, financial condition and results of operations could be adversely affected.

We have relied on a variety of funding sources, including loans from financial institutions, commitment lines, bonds and commercial paper, in order to finance our cash needs and execute our business strategies. In recent years, the ability to fund our operations from such outside sources has become increasingly critical to our ability to administer our business plans, including in the years ended December 31, 2022 and 2023 and the nine-month period ended September 30, 2024 (despite our achieving self-funding in the three-months ended September 30, 2024). In addition, our consolidated operating cash flows were negative for the year ended December 31, 2022. Our consolidated operating cash flows were positive during the year ended December 31, 2023, mainly due to cash flows attributable to our banking business, and during the nine-month period ended

September 30, 2024, mainly due to cash flows attributable to our banking and securities businesses and the effect of depreciation and amortization, despite *Rakuten Mobile*'s continued negative effect on operating cash flows overall (although such effect has decreased as *Rakuten Mobile*'s results have improved). As we expect our Mobile segment will continue to have negative operating cash flows for some time, we anticipate that the operating cash inflows from our Internet Services and FinTech segments (for the latter, in light of the regulated nature of its businesses, cash flows to the larger group are generally limited to the payment of management fees (other than, for example, *Rakuten Bank*, whose management agreement we terminated in preparation for its listing), *Rakuten Points* system usage fees, brand royalties and dividends, if any) will contribute to our liquidity and that fluctuations in such inflows arising from fluctuations in the results of the relevant businesses may make external funding sources particularly important.

We may require additional funds in the future to make capital investments, pursue acquisitions or for other reasons. In particular, we have made significant capital investments for the development of our MNO network, including the installation of physical base stations. We believe that we have already made the bulk of the required capital investments necessary for the ongoing operation of our MNO network. In the three years ended December 31, 2023 and the nine-month period ended September 30, 2024, we made a cumulative total of ¥1,262,169 million of capital expenditures in our Mobile segment. We also believe that the increased use of roaming on the *au* network of KDDI in applicable locations under the roaming arrangement that commenced in June 2023 will reduce the amount of capital investments required by a total of nearly ¥300 billion in the three years ending December 31, 2025 compared to our previous plans, which called for a total of ¥570 billion during the same period. Our capital investments in the *Rakuten Mobile* in 2023 were ¥177.6 billion, which was below our original guidance of ¥200 billion. Our network-related capital expenditures in *Rakuten Mobile* (which excludes right of use assets and specified base station establishment fees) totaled ¥64.8 billion in the nine-month period ended September 30, 2024, and we expect the total for 2024 to be below ¥100 billion. We expect a similar amount of capital investments in 2025, which will be primarily focused on 5G network infrastructure. These planned capital expenditure figures contain a portion of the additional capital expenditures that are related to our services on the 700 MHz "platinum band" spectrum allotted to us in October 2023 attributable to 2024 and 2025. Overall, we estimate that cumulative capital expenditures associated with rolling out services on such 700 MHz spectrum will total approximately ¥54.4 billion through 2033, and such capital expenditures are expected to be back-end loaded in the 10-year period. In addition, we expect to record additional capital expenditures of approximately ¥0.9 billion per year through 2033 for base station openings related to the allocation of such 700 MHz spectrum. To the extent we are allocated additional spectrum on the platinum band in the future (of which there can be no assurance), additional capital expenditures will be required to roll out services on such spectrum.

Moreover, we have already funded the refinancing of senior bonds issued by Rakuten Group, Inc. scheduled to become due in 2024 and 2025. An additional ¥76 billion principal amount of subordinated bonds are scheduled to become callable in November and December 2025, which we intend to redeem or otherwise repurchase and cancel at or prior to such time using the proceeds from the offering of the notes. Our basic policy for the short-to-medium term is to extend the maturity of existing bonds through refinancing and redemptions or repurchases, while seeking to reduce the balance of interest-bearing debt through monetization of assets and businesses. Accordingly, while after giving effect to the offering of the notes we have addressed refinancing needs for 2024 and 2025, we still face additional maturities in 2026 and beyond. Refinancing existing bonds will require additional fundraising activity. However, there is no guarantee that we will be able to conduct such refinancing, or to maintain our existing commitment lines or commercial paper programs, on favorable terms (including interest rates), in a timely manner or at all.

For example, we may face difficulty raising funds due to volatility in the financial markets or lowering of our credit rating, which is BB with a stable outlook from S&P as of September 19, 2024, BBB+ with a negative outlook from Rating and Investment Information, Inc., or R&I as of October 22, 2024 and A- with a negative outlook from Japan Credit Rating Agency, Ltd., or JCR as of August 6, 2024.

In February 2024, each of R&I, JCR and S&P issued releases following our announcement of our results for the year ended December 31, 2023 (in the case of S&P, the announcement came after the completion of our offering of an aggregate principal amount of $1,800 million of 11.250% senior notes due 2027 and the expiration of concurrent offers to purchase any and all of our outstanding U.S. dollar-denominated senior notes maturing in 2024). On February 15, 2024, R&I noted our continuing net losses and pressure on our financial position, as well as continuing delays in improvement in our Mobile business, stating that our current financial position and the balance of indebtedness and cash flows are below expectations for our current rating. In particular, R&I cited continued slowness in improvements in our Mobile business, as well as its concerns for our financial position in light of the bond maturities scheduled for 2025, and concluded that it will continue to monitor results in our

Mobile business and our financial policies, and reflect those in our credit rating. On October 22, 2024, R&I affirmed our credit rating of BBB+ with a negative outlook.

In its release on February 16, 2024, JCR noted recent improvements in our results and signs of improved competitiveness in our Mobile business, and favorably mentioned the measures we have been taking to improve our financial position. However, it noted that we are still recording large losses and that we have a significant amount of bond maturities scheduled for 2024 and 2025, concluding that our current state does not warrant revising the negative outlook that JCR placed on us in June 2023. On July 25, 2024, JCR affirmed our current ratings with negative outlook, noting that while earnings at the Mobile business have begun to improve and the subscriptions have been growing in a smooth manner with a decline in churn rate, competition in the mobile business remains intense and it is still necessary to monitor our progress toward achieving positive EBITDA on a monthly standalone basis. At such time, JCR noted that, although compared to the previous time, downward pressure on the creditworthiness has been mitigated, fund outflow from the Mobile segment is continuing, and the financial burden remains high. On August 6, 2024, JCR affirmed our credit rating of A- with a negative outlook.

In its release on February 26, 2024, S&P affirmed our current ratings, with the outlook on our long-term credit rating remaining negative. Subsequently, after our issuance of bonds in February and April 2024 to improve our liquidity, S&P revised its outlook on our long-term credit rating from negative to stable and affirmed the BB long-term issuer credit rating in its release on May 29, 2024, citing the Mobile business' shrinking deficits and reduced capital spending, as well as improvements in our funding and liquidity. On September 19, 2024, following the completion of its annual review, S&P affirmed our credit rating of BB with a stable outlook.

Downgrades of our credit ratings and other negative actions to our credit ratings have led to increased borrowing costs in the form of higher interest rates, and our current credit ratings may be reviewed and further downgraded for a variety of reasons. While it is difficult to foresee the timing of such reviews, they could be prompted by events such as our announcement of our earnings releases, other major announcements, or otherwise. For example, we expect to announce our results for the year ending December 31, 2024 in February 2025. Each of these credit rating agencies may make further announcements, or take further ratings actions, in respect to us or our securities (including the notes) following such announcement. As a result of an actual or potential downgrade or other real or perceived deterioration in our creditworthiness (including credit ratings assigned to us for internal purposes by banks and other financial institutions), our liquidity could be negatively affected to the extent that market participants or counterparties are reluctant to provide liquidity to us, whether in the form of bonds, commercial paper, loans or otherwise, or we may incur higher funding costs due to higher interest rates required as a result of downgrades or other deteriorations in our creditworthiness, which may in turn harm our ability to conduct offerings in the future. Based on our current credit ratings, even a small decline in our ratings could result in significant disruptions to our ability to access financial markets. Downgrades could also cause us to breach the covenants under our syndicated loan agreements (which require the maintenance of an issuer rating from R&I or a long-term issuer rating from JCR, in each case, of at least BBB-), and may impact the price of the notes and similar securities. See "—Our high levels of indebtedness could adversely affect our financial condition and liquidity, or our ability to administer our business as desired." and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Financial Condition and Liquidity—Liquidity and Liquidity Management—Bonds and Borrowings of Rakuten Group, Inc.—Borrowings of Rakuten Group, Inc."

In addition, changes in the debt market could increase financing costs for our existing floating-rate borrowings, and the cost of any additional fund raising could increase through rising market interest rates or other changes in the terms on which we are able to enter into financing arrangements could arise. In particular, after we originally incurred much of our current indebtedness, including the bonds whose maturity we intend to manage through various refinancing options in the short-to-medium term, U.S. dollar market interest rates have increased significantly following multiple increases to the benchmark Federal Funds Rate in 2022 and 2023. Despite the decrease of such rate in September and November 2024, the rate environment remains elevated compared to the time of the original issuances in question, and it is unclear how the environment will evolve moving forward. Japanese yen long-term interest rates have also increased, and further increases may occur in the future. As a result of such changes in market interest rates (even without the effect of downgrades in our credit ratings), the interest rates at which we can refinance such bonds (or other indebtedness we may choose to refinance—including instruments which are treated as components of equity for IFRS but as a legal matter are structured as bonds) are likely to be significantly higher than those applicable to our existing bonds.

If we are unable to raise additional funds on favorable terms or at all, we may be unable to make necessary capital investments, develop and expand our services, conduct effective marketing for our services or pursue acquisitions or other business opportunities and our business, financial condition, results of operations and cash flows could be adversely affected. Moreover, increased debt service costs could lead us to cut back on other necessary or beneficial investments and expenditures, or to consider initiatives such as the divestment of assets earlier or at terms we would otherwise find unattractive, or otherwise require us to divert financial, management or other resources. Moreover, our ability to pledge our assets as security is limited by covenants contained in the terms of certain of our existing indebtedness that would require us to secure any such existing indebtedness to the same extent as newly incurred or newly secured indebtedness (the notes offered hereby will also contain such a limitation). As a result of this limitation, we would be unable to incur secured indebtedness which may otherwise be available on more attractive terms than unsecured indebtedness.

In addition to senior indebtedness, we have also issued a number of series of subordinated bonds. As of September 30, 2024, we had ¥159 billion of Japanese-yen denominated subordinated bonds, $1.75 billion of U.S. dollar-denominated subordinated bonds and €1 billion of euro-denominated subordinated bonds (in each case, on a principal amount basis; while our U.S. dollar- and euro-denominated subordinated bonds are legally structured as bonds, in light of their terms, we treat them as equity instruments under IFRS for purposes of our consolidated financial statements) outstanding. Each of such series of bonds is eligible for a certain level of equity credit from the relevant ratings agencies, and we have announced our policy to repay or refinance such bonds at the first call date with instruments eligible for at least the same level of equity credit from the relevant ratings agencies (whether legally structured as bonds or as equity securities). To address these upcoming refinancing needs, we have undertaken several initiatives. First, in line with this policy, we are preparing for the refinancing of our yen-denominated subordinated bonds, including our ¥50 billion 1.81% subordinated bonds due November 2055, which become callable in November 2025, and our ¥26 billion 2.61% subordinated bonds due December 2055, which become callable in December 2025, through the offering of the notes. Also, in February 2024, we filed a shelf registration statement in Japan for the offering in Japan of up to ¥100 billion aggregate principal amount of "bond-type" class shares that we designed with the intention that these shares be eligible for a certain level of equity credit from the ratings agencies, if and to the extent issued. Our annual general meeting of shareholders approved amendments to our Articles of Incorporation necessary for the issuance of such class shares in March 2024. However, there is no guarantee that we will be able to issue the bond-type class shares, or other appropriate instruments, on attractive terms or at all. Because our policy for the repayment or refinancing of our subordinated bonds is non-binding, if we are unable to access the markets for instruments eligible for equity credit as desired, depending on our financial condition and the circumstances at such time, we may decide to repay or refinance such bonds with instruments ineligible for such level of equity credit. Any such increase in our overall indebtedness for ratings agency purposes may cause, or contribute to a decision by, one or more ratings agencies to downgrade our ratings, which may negatively affect our financial condition. Moreover, the actual equity credit assigned to the bond-type class shares (if issued), the notes or any other instrument intended to qualify for such credit will depend on the judgment of the agencies. Furthermore, under S&P's methodology, the actual equity credit to be assigned to the hybrid instruments of a corporate issuer is limited to 15% of such issuer's capitalization (giving effect, to the extent applicable, to redemption or other repurchase and cancellation of any instruments eligible for such credit with the proceeds of such newly-issued instruments). No such limitation exists under the methodologies of JCR and R&I. Based on this policy, we currently expect that S&P will not apply an equity credit to a portion of our hybrid securities. In addition, the treatment of any instruments, including the bond-type class shares and the notes, as equity under IFRS will depend on the terms of such instruments actually issued.

Securitization transactions are also an important source of liquidity for us, particularly with respect to securitized credit card receivables of *Rakuten Card* and securitizations of future mobile subscriber fees, handset installment payments and handset inventory of *Rakuten Mobile*. In light of the continued significant liquidity requirements expected for *Rakuten Mobile* in particular, these transactions will continue to be a key source of funding. However, we may not be able to continue such transactions on favorable terms or to the extent desired. In particular, the investor in our current securitization programs is our subsidiary, *Rakuten Bank*, and we rely on it and its consolidated group for structuring and other matters in relation to these programs. *Rakuten Bank* completed its listing on the Tokyo Stock Exchange in April 2023, and we sold additional shares of *Rakuten Bank* in December 2023, reducing our shareholding ratio in *Rakuten Bank* to 49.27%; while transactions with *Rakuten Bank* have been at an arm's-length even prior to its listing, changes in its decision making and governance structures as a listed company may negatively affect our ability to engage in these securitization programs. Moreover, negative developments in the business of *Rakuten Card* or *Rakuten Mobile*, changes in the regulatory regimes applicable to *Rakuten Bank* or changes in the market environment that make these assets less attractive

to *Rakuten Bank* may lead it to decline to invest in related securitizations, on the terms or to the extent that we expect or at all, which could materially and adversely affect our liquidity.

We also continue to seek other funding opportunities. For example, on July 25, 2024, *Rakuten Mobile* entered into a sale and leaseback arrangement for a portion of its mobile network assets with Orchestra G.K., a special purpose company established by Rakuten Group. On August 8, 2024, we announced that *Rakuten Mobile* would raise funds through an arrangement with a consortium of infrastructure investors, led by Macquarie Asset Management and including British Columbia Investment Management Corporation, via the Macquarie Asia-Pacific Infrastructure Fund 3. Through this arrangement, *Rakuten Mobile* raised ¥170 billion at a 6.5% interest rate, with a lease term of 10 years. The proceeds will be used to fund *Rakuten Mobile's* working capital and capital expenditures. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Recent Developments—Capital Raise Through Sale and Leaseback of *Rakuten Mobile*'s Mobile Network Assets." While we intend to continue to seek opportunities for similar financing transactions, there can be no assurance that we will be able to do so, whether on favorable terms or at all.

As part of our funding strategies, we may also seek to engage in a variety of monetization of assets and businesses. For example, in October 2022, *Rakuten Securities Holdings* and Mizuho Securities entered into a strategic capital and business alliance and in November 2022, Mizuho Securities purchased 19.99% of the outstanding shares of *Rakuten Securities* from *Rakuten Securities Holdings* for a purchase price of ¥80 billion. Additionally, on November 9, 2023, Mizuho Securities agreed to further purchase approximately 29.01% of the shares of common stock of *Rakuten Securities* from *Rakuten Securities Holdings* effective December 15, 2023. As a result of this share sale, as of the date of this offering circular, *Rakuten Securities Holdings* holds approximately 51% of the shares of *Rakuten Securities*. On September 30, 2024, we announced that *Rakuten Card* and Mizuho Financial Group, Inc. agreed to consider a new strategic capital and business alliance. Further to this announcement, Rakuten Group and Mizuho Financial Group concluded a share sale agreement on November 13, 2024, pursuant to which Mizuho Financial Group agreed to purchase 14.99% of the outstanding shares of *Rakuten Card* for a purchase price of ¥164,997 million, as well as a related shareholder agreement in respect of the shares of *Rakuten Card*. This purchase was completed on December 1, 2024. See "Business—Our Business Operations—FinTech Segment—Credit Card Business—Strategic Capital and Business Alliance between *Rakuten Card* and Mizuho Financial Group, Inc. and Business Alliance Among Rakuten Group, *Rakuten Card*, Mizuho Financial Group, Mizuho Bank, UC Card and Orient Corporation." As a result, our ownership interest in *Rakuten Card* has been reduced to 85.01%, and our interest in any dividends declared by *Rakuten Card* in the future will be proportionately reduced. See "—Our investments, alliances and collaborations may not produce adequate opportunities or returns." We intend to continue to engage in the monetization of certain of our assets and businesses, including the potential listing of *Rakuten Securities Holdings,* our plan to seek capital investments from third-parties for *Rakuten Symphony* and potential asset sales or other monetizations of investments held at *Rakuten Capital*, our internal venture capital arm. However, there can be no assurance that we will be able to successfully execute any of these initiatives, on the terms (including pricing) or timing we desire or at all. See "—We face risks from the listing of *Rakuten Bank* and the potential listing of *Rakuten Securities Holdings*.," "—Our investments, alliances and collaborations may not produce adequate opportunities or returns.," and "—Risks Relating to Our Mobile Segment—If the operations of *Rakuten Symphony* do not expand and develop as we expect, our business, financial condition and results of operations could be adversely affected."

We may be required to recognize significant impairment losses on our property, plant and equipment or intangible assets, particularly with respect to Rakuten Mobile.

As of December 31, 2022, we had property, plant and equipment of ¥1,262,115 million and intangible assets of ¥954,698 million, for a total of ¥2,216,812 million, representing 10.9% of our total assets. As of December 31, 2023, the respective amounts of property, plant and equipment and intangible assets were ¥1,267,837 million and ¥1,024,201 million, for a total of ¥2,292,038 million, representing 10.1% of our total assets. The growth in our total amount of property, plant and equipment and intangible assets has been primarily attributable to the development and roll-out of our MNO network. As of September 30, 2024, a total of ¥920,723 million of property, plant and equipment and ¥160,039 million of intangible assets, or a combined total of 4.3% of our consolidated total assets, was attributable to Rakuten Mobile, Inc.

In accordance with IFRS, we consider, at least on a quarterly basis, whether there are indications of impairments of property, plant and equipment, intangible assets, including goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use. Under IFRS, indications of impairment include (but are not limited to) "external sources" such as market value declines, negative changes in technology, markets, economy, or laws, increases in market interest rates and net assets exceeding market capitalization, as

well as "internal sources" such as obsolescence or physical damage, assets being idle, part of a restructuring or held for disposal, worse than expected economic performance (which may include, for example, performance of a business not meeting original plans) and, for investments in subsidiaries, joint ventures or associates, a carrying amount higher than the carrying amount of the investee's assets, or a dividend exceeding the total comprehensive income of the investee. If there are any such indications, we estimate the recoverable value of the relevant asset or group of assets. The recoverable amount is the higher of the value in use of such asset and fair value less costs of disposal. Furthermore, for goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use, regardless of whether there are such indications of impairment or not, we estimate the recoverable amount of those assets or related group of assets at least once a year. The assessment of whether there has been an indication of impairment is based on our historical results and business plans and expectations for future periods. In the case of assets attributable to *Rakuten Mobile*, the assessment is made based upon factors such as the number of new subscribers and churn rates, and ARPU, each of which is highly sensitive to market conditions and competition, making them difficult to predict (and therefore reflect into *Rakuten Mobile*'s business plans which have, in the past, at times not been met, and which we cannot guarantee will be met in the future) with accuracy. In assessing value in use, 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. To the extent that such recoverable value is below the carrying amount of the relevant asset, we recognize an impairment loss with respect to such asset. The assessment of indications of impairment of property, plant and equipment and intangible assets of *Rakuten Mobile* was identified by our independent auditor as a key audit matter in their audit of our financial statements as of and for the years ended December 31, 2021, 2022 and 2023. While, as of the date of this offering circular, no indication of impairment has been recognized in relation to the assets attributable to *Rakuten Mobile*, we expect to closely consider such matters in the preparation of our financial statements as of and for the year ending December 31, 2024, and, negative developments in the performance of *Rakuten Mobile*, including as compared against our business plans, or to our expectations for its future performance, whether in its subscriber numbers, ARPU or other key performance indicators or other changes in the operating or competitive environment, including our current or prospective inability to reduce losses for *Rakuten Mobile* and eventually make our MNO business profitable, may lead us to determine that there is an indication of impairment and to recognize impairment losses on such assets, whether in our financial statements as of and for the year ending December 31, 2024 or in subsequent periods. (Our consolidated financial statements as of and for the year ending December 31, 2024 are expected to be disclosed, on an unaudited basis, pursuant to the rules of the Tokyo Stock Exchange, in mid-February 2025, with our audited consolidated financial statements expected to be disclosed, pursuant to the FIEA, in March 2025.) In addition to the direct impact of such a development to our financial condition and results of operations, in June 2024, Rakuten Group, Inc.'s commitment line contract was renewed with an additional covenant that, from the date of the renewal through the date of the termination of the agreement and the repayment of any borrowings outstanding thereunder, as of the end of any fiscal quarter, would be violated if we receive a comment from our auditor indicating the need to recognize any indication of impairment with respect to the tangible or intangible assets of *Rakuten Mobile*, nor may any such impairment be recorded. Accordingly, to the extent that we believe that such covenant may be violated (even if, with respect to the recognition of an indication of impairment, no impairment loss is or will be recorded), we will be required to seek waivers from the lenders under the commitment line to avoid breaching this covenant. See "—Our high levels of indebtedness could adversely affect our financial condition and liquidity, or our ability to administer our business as desired."

Our financial condition and results of operations will be adversely affected if we are required to reduce our deferred tax assets, including as a result of changes in expectations for Rakuten Mobile.

In accordance with IFRS, we have established deferred tax assets for tax effects expected to be recovered by us and certain subsidiaries, which totaled ¥214,777 million as of December 31, 2023, of which ¥146,864 million represented net operating loss carryforwards, the majority of which were attributable to the losses incurred at *Rakuten Mobile*. The calculation of deferred tax assets is based on various assumptions, including assumptions with respect to future taxable income based on business forecasts and applicable tax rates. The recoverability of deferred tax assets of *Rakuten Mobile* related to the Japanese Group Relief System (the consolidated taxation system) was identified by our independent auditor as a key audit matter in their audit of our financial statements as of and for the years ended December 31, 2021, 2022 and 2023. Adverse changes in economic conditions, changes in applicable law or accounting standards or other factors, or developments inconsistent with our assumptions with respect to future taxable income, could lead us to decrease our estimated future taxable income and this could require us to record decreases in our deferred tax assets and retained earnings. As a result, we would recognize additional income tax expense and our results of operations could be materially adversely affected. In particular, estimates of taxable income based on our expectations for the future profitability of *Rakuten Mobile* are critical in determining the recoverability of deferred tax assets and are based

on our historical results and our business plans for future periods, particularly with respect to the number of new subscribers, churn rates and ARPU, each of which is highly sensitive to market conditions and competition, making them difficult to predict with accuracy. Changes in the performance of *Rakuten Mobile*, or to our expectations for its future performance, whether due to changes in the operating or competitive environment, as a result of developments at *Rakuten Mobile*, or otherwise, including if we are unable to reduce losses in and eventually make our MNO business profitable, may negatively affect our ability to recover these deferred tax assets, requiring us to decrease the amount recorded on our consolidated statement of financial position available to offset future taxable income.

In addition, changes to expectations for future taxable income generated by other members of and attributable to our consolidated taxation group may change our conclusion as to the recoverability of such deferred tax assets. For example, we reversed ¥73.2 billion of deferred tax assets and accordingly recorded related income tax expense of the same amount for the year ended December 31, 2023. This was based mainly on the uncertainties surrounding the future financial performance of *Rakuten Mobile* and the protraction of our targeted timing for reaching break-even for *Rakuten Mobile*. If our expectations for future taxable income further change in the future, we may reverse additional deferred tax assets, requiring the recording of additional income tax expense. For example, when preparing our financial statements as of and for the year ending December 31, 2024, we expect to consider, among other things, the effect of *Rakuten Card* being removed from our consolidated taxation group as a result of our sale of a portion of its shares of common stock to Mizuho Financial Group, Inc. on December 1, 2024.

We may not be able to maintain and enhance our Rakuten Ecosystem, which could adversely affect our business and results of operations.

One of our key strategies is to maintain and enhance our Rakuten Ecosystem, our business model that connects our various services through a common user ID, in order to create strong network effects between users, merchants and other participants. In order to integrate our businesses and create incentives for users to be active in our Rakuten Ecosystem, we have unified membership databases and platforms, allowed access to many of our services using a single user ID and implemented our *Rakuten Point* rewards program across many of our services. Because the total number of Rakuten ID members, which totaled approximately 145 million as of September 30, 2024, which is greater than the population of Japan, implies that we have limited room to attract new members, it is important to the growth of this business that we grow our base of active users and to increase engagement per active user. We seek to do this through increasing the attractiveness of our products and services and by reinforcing network effects in our Rakuten Ecosystem by cross-promotion of our services and targeted promotions such as opportunities to earn additional *Rakuten Points* by purchasing or using multiple products and services through the Super Point Up incentive program and during Rakuten group-wide sales campaigns such as Rakuten Super Sales or for using new services in our Rakuten Ecosystem. The *Rakuten Mobile* business in particular is intended to significantly increase user engagement with, and value derived from, the Rakuten Ecosystem. However, there can be no guarantee that we can maintain or grow our cross-usage, whether from *Rakuten Mobile* or otherwise. The extent to which we are able to maintain and strengthen these network effects depends on a number of factors, including our ability to offer attractive, secure and easy-to-use platforms for all participants, our ability to provide a wide range of high-quality product and service offerings that meet the evolving needs of users, the effectiveness of our promotional activities, the competitiveness of our *Rakuten Point* rewards program and other factors. We continue to review and revise the *Rakuten Point* rewards program to promote certain services within the Rakuten Ecosystem and to pursue other business strategies. Users of the Rakuten Ecosystem may react adversely to such revisions to the *Rakuten Point* rewards program or other changes to the Rakuten Ecosystem for whatever reason. For example, in December 2023, we implemented changes to the Super Point Up (SPU) program that revised point multipliers and/or the total monthly limit of points that can be earned (and, in certain cases, abolished bonuses completely) by various categories of users such as holders of *Rakuten Card's* premium cards, those using *Rakuten Bank* accounts for monthly automatic settlement of their *Rakuten Card* accounts and other various services in the Internet Services and FinTech segments, while, on the other hand, significantly increasing the bonus to users with a *Rakuten Mobile* subscription. While we believe these changes will enable a broader segment of our users to benefit from the SPU program and will allow us to more tightly control point issuance overall, the changes have negatively affected users with high use of the Rakuten Ecosystem; in particular, gross merchandise sales on *Rakuten Ichiba* decreased in the six-month period ended June 30, 2024 compared to the same period in the previous year in part due to these changes. Due to the cross-promotional and interconnected nature of our services, we are also subject to the risk that laws and regulations on personal data may inhibit our ability to effectively utilize the Rakuten Ecosystem's customer data across our businesses in the future. See "—Our businesses are subject to various laws and regulations."

We also face increasing competition from other platforms that seek to provide a set of comprehensive online services for their users, including platforms operated by large and established Internet and technology companies such as Alphabet Inc., Meta Platforms, Inc., Apple Inc. and Amazon.com, Inc. As our competitors enhance their services and platforms, we may face challenges in attracting and retaining users in our Rakuten Ecosystem. In addition, we seek to pursue an open platform strategy for our e-commerce business in Japan by enhancing our core e-commerce business through new initiatives and introducing additional participants into our Rakuten Ecosystem. However, there is no assurance that we will be successful in such efforts. For example, an open strategy could reduce the attractiveness to merchants of becoming registered merchants on our original e-commerce platforms. Additionally, in February 2024, we announced changes to the fee system for *Rakuten Ichiba*, increasing the fixed portion of monthly merchant fees for all current pricing tiers, which took effect on June 1, 2024. This change may discourage existing and potential merchants from continuing listing or listing their shops on *Rakuten Ichiba*, ultimately harming the competitiveness of our Rakuten Ecosystem. Moreover, our *Rakuten Point* rewards program faces competition from other points programs, including T-Points (merged in April 2024 with the V-Points program administered by a subsidiary of Sumitomo Mitsui Financial Group, Inc., one of Japan's largest financial institutions), d POINTs and Ponta in Japan. In addition, PayPay Corporation has announced its intention to expand its PayPay Point program into a comprehensive point program where points can also be earned at third-party services that started in October 2022 and launched a new rewards point system with Yahoo Japan, a major Internet company in Japan, and LINE, an online communication provider, named "LYP Mileage," in March 2023. Moreover, on October 1, 2023, Z Holdings Corporation (the parent of Yahoo Japan and LINE), LINE, Yahoo Japan, Z Entertainment Corporation and Z Data Corporation completed a group reorganization and became LY Corporation in order to further strengthen coordination between Yahoo Japan and LINE and promote the restructuring of each service. Additionally, Ponta, operated by Loyalty Marketing Inc., has recently formed a strategic partnership with Temu, a rapidly growing e-commerce platform owned by PDD Holdings Inc. This collaboration, which began in July 2024, allows Ponta members to earn points on Temu purchases, potentially expanding Ponta's reach and competitiveness in the market. The partnership has shown initial results, attracting a broader age range of consumers than initially anticipated. Our current and potential competitors may have extensive partnerships that enable their members to earn and use points at a wider range of locations and venues.

Effective on November 1, 2023, we completed the internal restructuring of our FinTech segment, whereby the *Rakuten Pay* (online payments) business and *Rakuten Points* (online) business, which were included in the Internet Services segment, were transferred to our consolidated subsidiary, *Rakuten Payment*, via a company split. In addition, effective on November 1, 2023, all shares of *Rakuten Payment* held by Rakuten Group, Inc. (95.28% of the total number of issued shares of *Rakuten Payment*), were transferred to *Rakuten Card*. However, there can be no assurance that this reorganization will provide the benefits we anticipate, including to help attract users to the Rakuten Ecosystem and guide them to use an increasing number and amount of our services.

If we fail to maintain and enhance the attractiveness of our Rakuten Ecosystem to existing and new users, it could damage our brand and our competitiveness, reduce cross-business synergies and have a material adverse effect on our business, financial condition and results of operations.

If the Internet services industry does not expand and develop as we expect, our business, financial condition and results of operations could be adversely affected.

We operate primarily in the Internet services industry, including e-commerce services, online financial services and digital content services, both in Japan and overseas. The expansion of the Internet services industry, in terms of users, the business-to-consumer e-commerce market and others, is essential to our growth strategy and our ability to increase the transaction volume of our services, the number of unique buyers, which we define as the total number of buyers who purchase items at least once on our primary e-commerce website *Rakuten Ichiba* during a specified period, and other transactions through our websites both in Japan and in overseas markets. Our business, financial condition and results of operations could be adversely affected if the growth of the Internet services industry as a whole or the e-commerce market, the online financial services market, the digital content market or any of the other primary markets in which we operate decelerates. In particular, while we believe there is room for further growth in the Internet services industry in Japan based on the relatively low level of e-commerce spending within total retail consumption compared to certain other economies such as China and the United States, the industry may not expand or develop as we expect due to increasing saturation of e-commerce and other online services markets or other factors. If growth of the Japanese Internet services industry slows or ceases and we are unable to expand our overseas businesses to offset the effects of such trend, our results of operations and overall growth prospects could be negatively affected. Similarly, if growth of the Internet services industry outside of Japan slows or ceases, our results of operations and overall growth prospects could be negatively affected. The Internet services industry could be affected by regulations that limit Internet use, growing awareness of information security and privacy issues, especially in relation to personal information,

adverse economic trends, increasing competition, development of disruptive or competing technologies, increasing adoption of smartphones or other devices or other factors.

We may be unable to successfully implement our growth strategies or to meet our goals, visions and aspirations.

As described in more detail in "Business—Our Strategies—VISION 2030: Our vision for Rakuten's long-term future," we have set forth our long-term vision for Rakuten's future, VISION 2030, the goals, visions and aspirations set forth therein and our business strategies towards realizing VISION 2030. However, we may be unable to implement these strategies and achieve our goals, visions and aspirations, including for any of the reasons described in this section or otherwise. In addition, in formulating such goals, visions and aspirations, we have made a number of assumptions and estimates, including the general continuation of the current state of external factors such as macroeconomic factors and the industry environment for each of our businesses. We have also made assumptions regarding the development and growth of the Rakuten Ecosystem, as well as with regards to our business, including the performance of our business and success of our strategies, operating and funding costs, capital expenditures and other spending plans, technological developments, employment and other factors and the general non-materialization of the risks set forth in "Risk Factors." For example, we believe that there is additional room for expansion in Japan's e-commerce ratio and have assumed that this ratio will grow at a similar annual growth rate to the years prior to the COVID-19 pandemic through the term of VISION 2030 to become more in line with other developed countries, benefitting our domestic e-commerce businesses significantly. In addition to assumptions about the operating environment for our FinTech businesses such as the continued digitalization of financial industries, we assumed that *Rakuten Card*, as the main payment business in the segment, will drive its own business as well as cross-use of other businesses in the FinTech segment and cross use of businesses across the Rakuten Ecosystem in a manner that permits sustainable growth. In our Mobile segment, we have assumed the success of our strategies to maintain and grow our subscriber base, such as our roaming arrangement with KDDI and the SAIKYO plan based on it, our success in obtaining the allocation of additional spectrum by the MIC (we were allocated the 700 MHz "platinum band" by the MIC in October 2023 and commenced commercialization in June 2024) and our success in implementing such new spectrum, and that we will be able to leverage a stable operating cost structure to drive profit after we reach a break-even point in the future. However, our ability to successfully implement these strategies cannot be guaranteed, and many of the factors subject to these and other assumptions and estimates underlying VISION 2030 are not within our control. Our expectations, assumptions and estimates (and, accordingly, the goals, visions and aspirations predicated thereon) may be materially inconsistent with actual future results, facts or circumstances. If these assumptions and estimates prove to be materially inaccurate, our assessment of and plans for the future may also be materially inaccurate, and we may not be able to compensate for such inaccuracies by modifying our strategies or otherwise, materially and adversely harming our ability to meet our goals, visions and aspirations.

We face intense competition, including from competitors with greater resources than we possess, and such competition may intensify.

As the number of Internet users increases, many companies are moving into Internet-related services across a wide spectrum of product categories and service formats. In addition to our Internet-related service operations, we and our group companies also face competition from numerous companies in our other areas of service.

Internet Services

In our Internet Services segment, we face significant competition from other Internet service providers in our specific business areas, including the following:

- *E-commerce*. We face competition in Japan from other e-commerce platforms such as those provided by Amazon.com, Inc., LY Corporation, which operates LINE and Yahoo Japan and Mercari, Inc., as well as from traditional retailers, some of which have their own online stores. Our competitors may have more effective operations than us, stronger branding, transaction volume and customer bases and considerable financial, marketing, fulfillment, logistics and delivery and other resources, and may be able to charge lower prices for products in their marketplace if, unlike us, the seller pays no or less commission on sales to an intermediary. We also compete to attract merchants to our respective platforms based on factors that are important to merchants such as the amount of commissions that are charged to merchants. For example, LY Corporation does not charge merchants on its Yahoo Japan e-commerce platform commissions on sales. We face similar

competition for our e-commerce businesses from e-commerce platforms and traditional retailers in overseas markets in which we operate, particularly in mature markets with established e-commerce platforms with large user bases. Competition in the e-commerce market could intensify in the future with respect to prices, product quality and the attractiveness and security of online services, and we may be unable to maintain and enhance our competitive position as a result.

- *Online travel*. The marketplace for online travel marketing and distribution is large and intensely competitive, and our online travel service *Rakuten Travel* faces competition from other online travel and accommodation services operated by Recruit Co., Ltd., which operates Jalan.net, and LY Corporation, which operates Yahoo Travel, and foreign companies offering similar services such as Booking Holdings Inc. and Expedia, Inc. as well as from major Japanese travel agencies, such as JTB Corp. and Kinki Nippon Tourist Co., Ltd., which have an existing network of users cultivated in part through in-person sales activities and relationships with travel and accommodation providers in Japan and may have the ability to offer a variety of travel related packages for transportation, accommodation and sightseeing.

- *Advertising*. General technological advancements in the field of digital advertising have led to the emergence of a variety of new advertising methods which have attracted new market entrants. Although we have taken various measures, including investments in technology development, to address these new advertising methods, there is no guarantee that such measures will be sufficient to adequately address demand for these new forms of digital advertising or compete with market entrants. Additionally, major Internet-oriented companies such as Alphabet Inc. and Meta Platforms, Inc. already provide integrated advertising platforms for Internet search engines and social media networks, respectively that are widely used and have considerable market power to engage in aggressive pricing strategies. Although we seek to exploit our interconnected service offerings to develop a global advertising platform, we may not be able to provide compelling outlets for potential advertisers in the face of such established and large-scale competitors.

- *Digital content*. The marketplace for digital content is competitive, and some competitors have established significant market shares in some geographic markets and may have extensive digital content offerings. Our streaming video services, including *Rakuten Viki, Rakuten Sports*, *Rakuten TV* and *Rakuten Live*, compete with other video streaming services such as YouTube, Netflix and Hulu, as well as other online retailers with video streaming services such as Amazon.com, Inc. and Apple Inc., all of which have greater name recognition and a significantly larger customer base. Our e-book business competes with other providers of e-readers and sellers of e-books, including Amazon.com, Inc., which enjoys a variety of advantages due to its early entry into, and strong position within, the e-book market, including reader devices with strong name recognition and market penetration and long relationships with, and negotiating advantages over, authors and publishers. Our e-book business also competes with Apple Inc., which sells e-books through its iTunes software that users are able to read on devices running Apple's operating systems. Our music streaming service, *Rakuten Music*, competes with other music streaming services such as Apple Music, Spotify and YouTube Music.

- *Rakuten Ticket*. *Rakuten Ticket* competes with other ticket retailers, such as Ticket Pia, e+ (E Plus) and Lawson Ticket.

FinTech

In our FinTech segment, we face significant competition from other online financial services providers in our specific business areas, including the following:

- *Credit cards*. *Rakuten Card* faces significant competition in Japan's consumer credit industries from large Japanese consumer finance companies, a number of major Japanese banks, Internet companies that have entered into the consumer finance industry by acquiring existing consumer finance companies, bank-affiliated credit card companies, retailer-affiliated credit card companies and shopping credit companies that issue credit cards, such as Mitsubishi UFJ NICOS Co., Ltd., Sumitomo Mitsui Card Company, Limited, Credit Saison Co., Ltd., and AEON Bank, Ltd. Our consumer credit competitors seek to compete aggressively on the basis of rewards programs, lending terms and perquisites, and the coverage and scale of their network of distribution and marketing channels and member merchant bases. Changes to the benefits we provide to *Rakuten*

Card holders, such as the changes to the Super Point Up (SPU) program implemented in December 2023, may harm *Rakuten Card*'s competitiveness against these competitors. See "—We may not be able to maintain and enhance our Rakuten Ecosystem, which could adversely affect our business and results of operations." Many of our consumer credit competitors have substantial financial, technical and marketing resources, large and active customer and merchant bases, long operating histories, significant name recognition and established relationships in the finance industry, and may have more extensive physical infrastructure, more effective and reliable credit check systems and more extensive marketing, sales and acquiring networks than we do. We derive a portion of our revenue as interchange fees from merchants with which we have contracts for credit card settlement. If intensifying competition were to reduce the number of contracted merchants, the amount of fees we collect may decrease. Also, on May 1, 2023, PayPay Corporation announced that, starting on August 1, 2023, users of its PayPay service, one of Japan's most popular QR code payment services, will no longer be able to use credit cards issued by companies other than PayPay Card Corporation, including but not limited to *Rakuten Card*, to settle transactions using PayPay, meaning that *Rakuten Card* will no longer collect fee revenue from credit card settlements on PayPay. On June 22, 2023, PayPay announced it would delay this measure to January 2025. If additional payment services take steps to exclude *Rakuten Card* from being used to settle transactions on their platforms, *Rakuten Card*'s ability to collect fee revenues would be further harmed. Moreover, in the event that competition with other forms of payment methods results in temporary or permanent reductions in interchange fees that we receive from member shops, our business, financial condition and results of operations may be adversely affected.

- *Digital banking*. *Rakuten Bank* faces significant competition in Japan's retail financial services market from other digital banking providers, such as SBI Sumishin Net Bank, Ltd., PayPay Bank Corporation, au Jibun Bank Corporation, Sony Bank Inc., Daiwa Next Bank, Ltd., ORIX Bank Corporation, GMO Aozora Net Bank, Ltd., Minna Bank, Ltd. and UI Bank Co., Ltd. In order to maintain and expand its customer base and business, *Rakuten Bank* must compete with other digital banks on factors such as user interface/user experience and the strength of its lineup of products and services. Furthermore, certain digital banking competitors are part of corporate groups offering similar membership and loyalty programs, including point programs, and competition based on the attractiveness of such programs is fierce. *Rakuten Bank* also competes with traditional Japanese banking institutions, including the so-called "megabanks" as well as other national and regional banks, many of which have expanded their digital banking services and broadened their retail asset management and retail lending services. Such competitors may have stronger existing customer bases and offer customers broader product line-ups and more diverse points of contact than *Rakuten Bank* and may invest in technology to compete more effectively. In particular, because *Rakuten Bank*'s interface with its customers is digital and it does not maintain physical bank branches, it may face difficulty attracting customers who prefer financial institutions where they can complete transactions at physical bank branches. Further, despite *Rakuten Bank*'s efforts to expand its product range, some customers may still prefer the lineups offered by such traditional financial institutions, or perceive that those product lineups are more diverse or comprehensive. *Rakuten Bank* seeks to differentiate itself from its competitors by offering attractive rates. However, the competitive gap has been narrowing since August 2024, as the Japanese "megabanks" have raised their interest rates on ordinary deposits from the historical lows of 0.001% to 0.1%, marking a 100-fold increase. As the difference between *Rakuten Bank's* rates and those of its competitors diminishes, *Rakuten Bank* could lose its competitive edge. Moreover, if it raises interest rates to preserve competitiveness, that could compress the spread between its interest-bearing liabilities and interest-earning assets, which may negatively impact the profitability of our banking business.

- *Electronic payments*. Through *Rakuten Payment*, we offer multiple payment services to address the needs of different segments of the marketplace. *Rakuten Edy* is an e-money service that allows users to use a physical *Edy Card*, a smartphone app linked to an *Edy Card* or a mobile wallet service on certain models of mobile phones to make purchases at participating online merchants as well as brick-and-mortar stores, while *Rakuten Pay* offers similar functionality but the payment method is made via QR code or barcode. Additionally, we introduced *Rakuten Wallet* in April 2019 as a crypto asset exchange service that will allow us to address developments in crypto assets. *Rakuten Cash* is another online e-money service that can be used to make payments at certain of our domestic e-commerce businesses, as well as at participating stores that enable the use of *Rakuten Pay*, to transfer money or to make contributions to certain domestic investment accounts on *Rakuten Securities*. *Rakuten Cash* accounts can be charged with credit cards (*Rakuten Card* only

when using *Rakuten Pay*), from a *Rakuten Bank* account or from sales from a *Rakuten Rakuma* account. Due in part to the Japanese government's efforts to encourage cashless payments, the electronic payments marketplace in our primary market of Japan currently has a high number of market participants, each of which are making efforts to innovate their current offerings and introduce additional payment methods. It is not yet clear whether a variety of electronic and mobile payment methods will be able to continue to co-exist or whether users will eventually converge around a more limited set of electronic payment methods. SoftBank Corp., or SoftBank, and LY Corporation have partnered to establish PayPay Corporation, which offers the PayPay service, a mobile payment service based mainly on QR codes and other barcodes that is one of our primary competitors in the electronic payments market in Japan. Additionally, certain of our competitors may have advantages that allow them to tie their payment service directly to operating systems, servers or applications that prove more attractive to potential users, such as the Suica card's association with the East Japan Railway Company or the WAON card offered by AEON Bank, Ltd. Additionally, to the extent that cashless services such as Apple Pay or Google Pay are able to appeal to users as a result of their integration with the iOS or Android mobile operating systems, respectively, our payment service offerings may not be able to offer the same level of convenience to potential users and may not be able to expand our customer base. Certain of our competitors also offer rewards or cash back programs which customers may find more appealing than our incentive programs.

- *Online securities*. *Rakuten Securities* faces direct competition from several other online securities firms, such as SBI SECURITIES Co., Ltd., Matsui Securities Co., Ltd., Monex, Inc., or Monex, GMO CLICK Securities, Inc. and au Kabucom Securities Co., Ltd., as well as from full-service securities firms in Japan. These competitors may provide a more comprehensive range of services and may be able to offer more competitive commissions or interest rates on margin loans than we are able to provide. Although brokerage commissions have been the largest source of revenue for *Rakuten Securities*, totaling ¥28,239 million in the year ended December 31, 2023 and representing 25.5% of its total operating revenue, we have historically reduced our brokerage commissions in order to keep a competitive commissions structure and continue to attract users. On August 31, 2023, SBI SECURITIES Co., Ltd., *Rakuten Securities*' primary competitor in the Japanese online retail brokerage industry, announced its plan to make available commission-free trading in Japanese listed stocks to all qualifying online account holders, beginning with trades made on September 30, 2023. On the same day, *Rakuten Securities* announced its plan to also offer commission-free trading of Japanese listed stocks to all customers, and such trading began on October 2, 2023. As a result, to the extent *Rakuten Securities* customers (who choose their fee structure from a number of options) choose commission-free trading in Japanese listed stocks, *Rakuten Securities* will no longer earn such commissions. Similarly, on November 29, 2023, *Rakuten Securities* announced that it would reduce commissions on real-time foreign exchange trades between U.S. dollar and Japanese yen to ¥0.03 per trade for trades executed on and after December 1, 2023. Shortly thereafter, on November 30, 2023, SBI SECURITIES Co., Ltd. announced that it would reduce commissions on real-time foreign exchange trades between U.S. dollar and Japanese yen to ¥0 per trade for trades executed on and after December 1, 2023, after which *Rakuten Securities* announced that it would do the same for trades executed on and after December 4, 2023, with Matsui Securities Co., Ltd. also following suit. As a result, on and after December 4, 2023, *Rakuten Securities* no longer earns commissions on real-time foreign exchange trades between U.S. dollar and Japanese yen. Further developments in the competitive environment may cause *Rakuten Securities* to further modify its fees and commissions structure, which may harm our profitability.

- *Online life and general insurance*. *Rakuten Life Insurance* and *Rakuten General Insurance* face competition in Japan's life insurance and general insurance industries, respectively. *Rakuten Life Insurance* faces competition from dedicated online life insurance companies as well as both domestic and foreign-owned traditional life insurance companies, including large financial services companies that operate life insurance subsidiaries. *Rakuten General Insurance* faces competition particularly from online and traditional automobile insurance and fire insurance companies. As competitors may have greater financial resources, more effective marketing and sales networks, larger customer bases, stronger brand recognition or more extensive product offerings, *Rakuten Life Insurance* and *Rakuten General Insurance* face significant competitive challenges in expanding their businesses.

Mobile

In our Mobile segment, we face significant competition in our specific business areas, including the following:

- *MNOs and MVNOs*. The Japanese mobile telecommunications market is highly saturated, and competition for subscribers is fierce. We face significant competition from the other major existing MNOs and MVNOs in Japan. Our competitors in this market are primarily the other MNOs in Japan, SoftBank, NTT DOCOMO, INC., or NTT Docomo, and KDDI, each of which has a long history of operating in the Japanese telecommunications market, larger marketing and sales networks, more extensive network infrastructure, stronger brand recognition and significantly larger established customer bases. To a lesser extent, we also compete with MVNOs, particularly as to price. *Rakuten Mobile* had an introductory campaign that waived monthly fees for the first year of service until April 7, 2021, followed by a campaign from April 8, 2021 to February 8, 2022 that waived the first three months of service fees for new *Rakuten Mobile* subscribers. On May 13, 2022, we announced our Rakuten UN-LIMIT VII service plan, which did not have a free tier for users using less than 1 GB of data per month. Following the announcement of the new subscription plan, total MNO subscribers decreased from 4.91 million as of March 31, 2022 to 4.76 million as of June 30, 2022, with approximately 80% of the cancellations represented by subscribers using less than 1 GB of data per month, before decreasing further to 4.53 million and 4.46 million as of September 30, 2022 and December 31, 2022, respectively. While new MNO subscribers have shown a net increase since December 2022, reaching 7.41 million (excluding BCP and MVNE) as of November 10, 2024, our ability to continue increasing subscribers, as well as maintaining and growing ARPU, will be crucial to achieving future profitability in this business, and we may not be successful in balancing increases in fees charged to subscribers with increasing our subscriber base, particularly in light of intense pricing competition in the industry. Although we believe that our MNO service pricing is competitive, many of our competitors have also introduced lower-cost offerings and plans, such as NTT Docomo's "ahamo" offering and "eximo" and "irumo" plans, SoftBank's "mini-fit plan+" and "LINEMO" plans and KDDI's "smartphone mini" and "povo2.0" plans. We also compete on the basis of other aspects of our service offerings, including network quality, optional services and other offerings. For example, some of our competitors also offer point-connected pricing plans such as "paytoku unlimited" plan by SoftBank and "au manekatsu" plan by KDDI. A key factor in competition in the mobile telecommunications industry is the ease with which subscribers can move between carriers. As it has become the norm in the Japanese mobile telecommunications industry, we do not require subscribers to enter into fixed-term contracts nor do we SIM-lock their devices, which subjects us to the risk that subscribers may cancel their plan at any time. Developments such as the ability to keep one's mobile number, known as MNP or mobile number portability, when changing carriers have lowered hurdles for subscribers to change carriers, and changes to the MNP system such that subscribers need only sign-up at their new carrier (without first completing MNP procedures at their original carrier) were implemented in May 2023, which we believe has and will continue to increase competition, as would further developments that increase the ease and convenience of changing carriers, such as increased use of "e-SIM" technologies which allow subscribers to change carriers without acquiring a physical SIM card. Any such developments may further increase the risk of losing subscribers to our competitors.

- *Rakuten Energy*. *Rakuten Energy* competes with other electric power retailers, such as Tokyo Gas, SB Power, Osaka Gas, KDDI, ENEOS, Haluene and Toho Gas.

In addition to competition in our specific businesses described above, competition may intensify as our competitors enter into business combinations or alliances and established companies in other market segments expand to become competitive with our business. For example, on October 4, 2023, Monex Group, Inc., or Monex Group, announced that it and its subsidiary, Monex, have entered into a capital and business alliance with NTT Docomo. Pursuant to the terms of the alliance, Monex became an indirect subsidiary of NTT Docomo and an equity method affiliate of Monex Group. NTT Docomo has announced that it expects this alliance to help it enter the securities business and help NTT Docomo expand its ecosystem, which will increase the competition between us and NTT Docomo.

In addition, new and enhanced technologies, including search, web and computing services, digital content and electronic devices, may increase our competition. The Internet facilitates competitive entry and

comparison shopping, and increased competition may reduce our sales and profits. In particular, while we work to enhance user loyalty to our services through our *Rakuten Point* reward program and other means, to the extent that we are unable to provide attractive services to our users, users would be able to obtain the same goods and services through competing platforms with relative ease. Moreover, as our online financial services businesses interact with customers through the Internet and generally do not maintain physical offices or branches, we may face difficulty attracting customers. There is also the possibility that we will be forced to increase our capital investment and advertising expenditures in response to increased competition. If the competitive environment of any of our businesses intensifies, or if we are otherwise unable to compete effectively in our target markets, our business, financial condition and results of operations could be materially and adversely affected.

Our failure to innovate or adapt to changes in technology or customer needs could damage our competitiveness.

The markets in which we operate are characterized by rapidly changing technology, evolving industry standards, consolidation, frequent new service announcements, introductions and enhancements and changing user demands. Our competitors are constantly introducing new products and services with new technologies. As a result, our future success will depend on our ability to innovate and adapt to rapidly changing technologies, to adapt our services to evolving industry standards and to continually improve the performance, features and reliability of our services in response to competition and the evolving demands of the marketplace and other services. If we are unable to innovate, adapt or improve in response to changing user needs or market conditions in a timely manner, we may lose customers, merchants, users and advertisers to our competitors, which could have a material adverse impact on our business and results of operations. In addition, the widespread adoption of new Internet, networking or telecommunications technologies or other technological changes, including developments related to IoT services, could require us to incur substantial expenditures to modify or adapt our services or infrastructure, or rendering our existing infrastructure and equipment obsolete, leading to significant write-offs and other losses. The pace of introduction and adoption of new technologies is extremely fast, and it is not possible to predict the impacts of new technologies, whether improvements to existing technology or evolutionary changes such as recent developments in AI-related technologies.

In particular, consumers and businesses in Japan and overseas are increasingly using mobile devices, including smartphones and tablets, for a wide range of purposes, including e-commerce, financial services and accessing content. While a significant and growing portion of participants access our websites and services through mobile devices, this area continues to rapidly evolve, and we may not be able to continue to increase the level of mobile access to, and engagement on, our marketplaces or other services. The variety of technical and other configurations across different mobile devices and platforms increases the challenges associated with this environment. Our ability to successfully expand the use of mobile devices to access our services is affected by the following factors:

- our ability to continue to provide compelling services in a multi-device environment;
- the quality of our mobile offerings, including the service plan that we offer users of our MNO service as well as the speed and network quality of our MNO network;
- our ability to successfully deploy applications on popular mobile operating systems that we do not control, such as iOS and Android;
- our ability to adapt to the device standards used by third-party manufacturers and distributors;
- the attractiveness of alternative platforms; and
- our ability to anticipate and adapt to shifts in user behavior, including preferences with respect to mobile devices, electronic payments and crypto assets.

If we are unable to attract significant numbers of new mobile users and increase levels of mobile engagement, our ability to maintain or grow our business would be materially and adversely affected.

In addition, our technology infrastructure supports a high volume of user traffic, online transactions and streaming online media content across our services. Maintaining and improving our technology infrastructure require significant levels of investment. Any difficulties experienced in adapting our infrastructure to accommodate increased traffic, to store user data or to track user preferences, together with the associated costs and potential loss of traffic, could harm our results of operations and financial condition.

We may be unsuccessful in expanding into new business areas.

We have entered into a number of new business areas through targeted acquisitions as well as organic development of new services, and we expect to continue to evaluate entry into new business areas as part of our ongoing strategy. For example, in October 2018 we acquired everybody's bitcoin Inc., a crypto asset exchange service, which we subsequently renamed Rakuten Wallet, Inc. and relaunched as a crypto asset exchange service provider in April 2019. We also continue to develop new businesses as part of our organic growth strategy, such as the launch of commercial services on *Rakuten Mobile*'s MNO network in April 2020. In addition, in 2020, *Rakuten Mobile* commenced providing the Rakuten Communications Platform (*RCP*), our cloud-native platform which is designed to support the quick and efficient development of safe, open mobile networks for third-party telecommunications providers and other customers. In August 2021, *Rakuten Symphony* was launched as a new business organization to spearhead the global adoption of cloud-native Open RAN infrastructure and services by mobile network operators, enterprises and government bodies. Later in February 2022, *Rakuten Symphony* launched *Symworld*, building upon functionalities in RCP and making them generally available to telecom operators. *Rakuten Symphony's* vision is to provide a future-proven, cost-effective cloud connectivity platform. However, if demand for our products and services in our areas of expansion is not as strong as we anticipate, or if our efforts to increase our user appeal and client coverage are not effective, we may be unable to expand our business in these new areas, or we may incur losses due to the disposal or write-downs of assets in relation to the discontinuation or withdrawal of products and services. In particular, we have expanded into several business areas that are still rapidly evolving, and we cannot predict with any certainty how these markets will grow and develop in the future. For example, there is no guarantee that our MNO network will prove to have long-term success in terms of technical performance or in gaining and retaining customers, whether due to complications arising from the large-scale installation and maintenance of physical base stations, the advanced technical computational aspects of our network, the competitive environment in the Japanese mobile industry or the inability of potential customers to appreciate and demand these technological advantages. See "—Risks Relating to Our Mobile Segment." In addition, we may face intense competition in new business areas, greater than expected costs in developing or expanding services and hiring and training personnel. As a result, our new businesses may not grow as we anticipate, and we may be unable to achieve the expected returns on any acquisitions, investments and costs incurred in connection with our entry into new business areas. In addition, our expansion into new business areas may expose us to new or enhanced risks, including reputational risks with respect to emerging fields, such as crypto assets, as well as other risks that we are unable to anticipate.

We face risks from the listing of Rakuten Bank and the potential listing of Rakuten Securities Holdings.

Rakuten Bank

An integral part of our financing strategy is the use of equity-type funding, including the listing of subsidiaries. On April 21, 2023, our subsidiary, *Rakuten Bank*, completed the listing of its shares on the Tokyo Stock Exchange. On December 11, 2023, we sold an additional portion of the shares of *Rakuten Bank*. As a result of the sales in the initial listing as well as these additional shares, our holdings of *Rakuten Bank* as of the date of this offering circular have decreased to 49.27% of its outstanding shares of common stock.

We face a number of risks related to the listing of *Rakuten Bank*. Through the listings, we seek to allow *Rakuten Bank* to manage its operations in a more autonomous manner and to consider various growth and financial strategies, including its own financing initiatives, through which we are targeting increased growth in the Rakuten Ecosystem and the Rakuten group overall. However, *Rakuten Bank* may independently seek its own growth strategies, prioritizing its respective business initiatives rather than functioning as part of the larger Rakuten group. Furthermore, *Rakuten Bank*, as a public company, may require significant management, human and other resources to manage and operate its businesses. There can be no assurance that our goals in listing *Rakuten Bank* can be achieved as expected or at all.

While we continue to treat *Rakuten Bank* as a consolidated subsidiary following its listing and our subsequent sale of additional shares (although our shareholding ratio decreased to under 50%, we maintain *de facto* control of *Rakuten Bank*), net income (loss) attributable to owners of the company will be reduced to the extent of non-controlling interests representing minority shareholders of *Rakuten Bank*, as will our shares of any dividends declared by it, which could materially and adversely affect our liquidity, financial condition and results of operations, particularly in light of the reliance of our funding strategy on such cash flows. Also, the non-controlling shareholders of *Rakuten Bank* will seek to maximize the value of the respective company, which may conflict with our goal to maximize the value of the Rakuten group overall, and the duties of the directors of *Rakuten Bank* may affect the terms on which we can transact with each of them, including intercompany

arrangements. In particular, in order to ensure the transparency and fairness of its decision making process, *Rakuten Bank* has established a special advisory committee, the members of which are comprised of independent outside directors and independent outside audit and supervisory board members whom it determines are unlikely to have conflicts of interest with general shareholders. The special advisory committee must be consulted in advance or reported to after the fact (depending on the nature and content of the relevant decision) on management policy decisions made according to requests from us related to our group business strategy, human resource matters regarding both *Rakuten Bank* and its subsidiaries and the Rakuten group, and engaging in transactions with the Rakuten group. As a result of input from this special advisory committee or otherwise, *Rakuten Bank* may decline to transact with us as we desire or seek to improve the terms on which it does in ways that are unfavorable to us. Moreover, our basic agreements with *Rakuten Bank* stipulate that we will respect its management independence as required for its status as a listed company, both from the perspective of applicable laws and regulations and in order to maintain its independence as required of a public company; that we will respect the fact that it has established systems for implementing checks on corporate governance through the appointment of directors from outside the Rakuten group; and that we will respect its rights to make personnel decisions. As a result of its corporate governance structures, *Rakuten Bank*'s decision-making may not always align with or solely serve the intentions of our group. For example, the terms on which *Rakuten Bank* agrees to purchase securitized credit card receivables of *Rakuten Card* or receivables relating to future mobile subscriber fees, handset installment payments and the handset inventory of *Rakuten Mobile* may become less favorable to us.

Rakuten Securities

On May 24, 2022, we announced that we had resolved to commence preparations for the listing of the shares of our subsidiary, *Rakuten Securities*. On October 3, 2022, *Rakuten Securities* and certain other subsidiaries, in a series of transactions, became subsidiaries of a new intermediate holding company owned by Rakuten Group, Inc., *Rakuten Securities Holdings*, which will be the entity seeking to list its shares. We announced on November 9, 2023 that *Rakuten Securities Holdings* had withdrawn the listing application that it had previously filed with the Tokyo Stock Exchange on July 4, 2023. Therefore, we face significant uncertainties over whether to list *Rakuten Securities Holdings* at all. Even if the plan to list *Rakuten Securities Holdings* is not abandoned, no timing has been decided, and it is not currently clear whether or when we will be able to achieve this goal, or what valuation we are able to achieve, including whether such valuation would be in line with our funding needs. These goals will be affected by a wide range of internal and external factors, as well as the effect of the purchases of shares of *Rakuten Securities* by Mizuho Securities in November 2022 and December 2023. Moreover, the preparatory process will be costly and time consuming, and beyond the significant resources already committed to this goal, we may incur additional expenses even if the listing does not occur. Even if we are able to successfully list *Rakuten Securities Holdings*, the risks described under "—*Rakuten Bank*" above will also apply to *Rakuten Securities Holdings* and our continued holdings in it. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Recent Developments—IPO of *Rakuten Bank* and Subsequent Follow-on Sale of Shares." and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Recent Developments—Reorganizations of and Plan for the Listing of *Rakuten Securities Holdings*."

Our investments, alliances and collaborations may not produce adequate opportunities or returns.

We actively pursue investments, alliances and collaborations involving other companies as part of our strategy and have established internal investment frameworks to evaluate and pursue new investments in other companies. For example, on March 12, 2021, we entered into a business alliance agreement with Japan Post Holdings Co., Ltd., or Japan Post Holdings and its subsidiary, Japan Post Co., Ltd., or Japan Post Co., in order to collaborate across multiple fields with initiatives that may include the creation of shared logistics centers and delivery and pick-up systems, data sharing, joint commercialization of a digital transformation platform for logistics (including the establishment of a new company) and initiatives to expand usage of Rakuten fulfillment centers and Japan Post Co.'s "Yu-Pack" parcels as well as the acceptance of applications for *Rakuten Mobile*'s MNO network at post offices owned by Japan Post Co. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Recent Developments—Establishment of JP Rakuten Logistics and Transfer of Logistics Business." As part of this alliance, we established JP Rakuten Logistics, Inc., or JP Rakuten Logistics, our joint venture with Japan Post Co., which has succeeded to substantially all of our logistics business.

Moreover, on October 7, 2022, we announced that *Rakuten Securities Holdings* had agreed to enter into a strategic alliance with Mizuho Securities. In conjunction with the alliance, Mizuho Securities agreed to purchase 19.99% of the outstanding shares of *Rakuten Securities* from *Rakuten Securities Holdings* for a

purchase price of ¥80 billion. This sale was completed on November 1, 2022. In addition, on November 9, 2023, we announced that *Rakuten Securities Holdings* had agreed to strengthen its strategic alliance with Mizuho Securities. *Rakuten Securities Holdings* and Mizuho Securities entered into a share sale agreement on November 9, 2023, pursuant to which Mizuho Securities purchased approximately 29.01% of the shares of common stock of *Rakuten Securities* from *Rakuten Securities Holdings* effective December 15, 2023. The goal of this stronger alliance is to promote initiatives and collaborations between Rakuten group and Mizuho Financial Group, aimed at building a new retail business model that combines both online and offline businesses in the fields of asset formation and asset management.

However, there can be no assurance that we, *Rakuten Securities* and *Rakuten Securities Holdings* will be able to achieve the expected benefits of the alliance, including if our respective relationships with Mizuho Financial Group and/or Mizuho Securities worsen or if our or *Rakuten Securities*' individual customers do not find the new products and services made available through the alliance to be attractive. Also, the effect that this strategic alliance may have on any potential listing of the shares of *Rakuten Securities Holdings*, including the timing thereof or the amount of any proceeds to be received by us or *Rakuten Securities Holdings* in conjunction with the listing, is unclear. Additionally, while *Rakuten Securities* remains a consolidated subsidiary both of *Rakuten Securities Holdings* and of Rakuten Group, Inc., our and *Rakuten Securities Holdings*' respective net income (loss) attributable to owners of the company has been reduced to the extent of non-controlling interests representing the share held by Mizuho Securities as a result of the purchases, as was *Rakuten Securities Holdings*' share of any dividends declared by *Rakuten Securities*, which may in turn reduce the cash available to *Rakuten Securities Holdings* to distribute to its shareholders by way of dividend.

We have also been seeking potential strategic partnerships for or capital raising by *Rakuten Card*. On September 30, 2024, we announced that *Rakuten Card* and Mizuho Financial Group, Inc. agreed to consider a strategic capital and business alliance. Further to this announcement, Rakuten group and Mizuho Financial Group concluded a share sale agreement on November 13, 2024, pursuant to which Mizuho Financial Group agreed to purchase 14.99% of the outstanding shares of *Rakuten Card* for a purchase price of ¥164,997 million, as well as a related shareholder agreement in respect of the shares of *Rakuten Card*. This purchase was completed on December 1, 2024. While *Rakuten Card* remains a consolidated subsidiary of Rakuten Group, Inc. following that transaction, our net income (loss) attributable to owners of the company will be reduced to the extent of non-controlling interests representing the share held by Mizuho Financial Group as a result of the purchases, as will our share of any dividends declared by *Rakuten Card*, which may in turn reduce the cash available to us. See "Business—Our Business Operations—FinTech Segment—Credit Card Business—Strategic Capital and Business Alliance between *Rakuten Card* and Mizuho Financial Group, Inc. and Business Alliance Among Rakuten Group, *Rakuten Card*, Mizuho Financial Group, Mizuho Bank, UC Card and Orient Corporation." While this partnership is intended to drive growth in both the consumer and corporate sectors, there can be no assurance that we will be successful in doing so, or that we can achieve the intended benefits of such alliance.

We hold minority equity investments in a variety of companies, including Lyft, Inc. and Gurunavi, Inc. We also continue to make investments in various venture capital funds and start-up companies in emerging industries, including fields related to healthcare and biotechnology, that are still in the process of establishing their businesses and may not have achieved profitability, as well as companies in business areas and markets where we have limited or no experience, including through *Rakuten Capital*, our internal venture capital arm. Our minority equity stakes in investee companies give us substantially less influence than if we established or acquired sufficient control to make them subsidiaries. There is no assurance that we will be able to maintain or enhance the value or performance of our past or future investments. The anticipated revenues or returns from such investments may not be achieved due to changes in the overall business environment and stagnation of such companies' results of operations. If we are unable to achieve and enhance the profitability of these investments and investee companies, our business and results of operations could be adversely affected, and we could be required to incur additional costs or make additional capital contributions in connection with these investments and investee companies. Moreover, the monetization, including through asset sales, of our investments has been one important way in which we have diversified our funding sources in recent years, and we anticipate that we will consider further asset sales in the future depending on our funding needs. However, we may be unable to dispose of or otherwise monetize these assets, upon the terms or schedule we desire or at all, whether due to changes in the business, financial condition or results of operations of our investees, economic factors, fluctuations in financial markets or otherwise. Any inability to achieve such monetizations as desired or at all may adversely affect our financial condition, including through an inability to meet our funding needs or by requiring us to seek alternative funding sources upon less favorable terms. In addition, we may be required to record impairments in the value of our investments in the investee companies. For example, in the year ended December 31, 2019, we recorded an impairment loss of ¥102.9 billion in the value of our investment in Lyft, Inc.

as a result of a significant decline in the market price of Lyft, Inc.'s shares. Additionally, in the year ended December 31, 2020, we recorded ¥25.0 billion of losses on investments in associates and joint ventures due to a change in the accounting treatment with respect to our shares in Lyft, Inc. from the equity method to a financial asset measured at fair value through profit or loss as well as the losses of investments in Lyft, Inc. prior to the change in accounting treatment. Moreover, during the three-month period ended June 30, 2023, we recorded an impairment loss of ¥6,498 million for the investment in Rakuten Medical, Inc., which was accounted for using the equity method. There is also the possibility, particularly with respect to early-stage start-up companies, that we may ultimately lose part or all of our invested capital, which could negatively impact our results of operations and financial position. In addition, to the extent that these investments are accounted for by the equity method, our financial results will reflect our pro rata portion of any profits or losses recognized by the investee company.

Certain of our businesses require that we maintain a partner in the applicable jurisdiction in order to operate, such as for eligibility under the jurisdiction's regulatory framework. For example, in Malaysia, *Rakuten Securities* operates its *iSPEED* trading platform through a joint venture with Kenanga Investment Bank Berhad, and in Taiwan, *Rakuten Bank* and *Rakuten Card* operate a banking operation through a joint venture with IBF Financial Holdings Co., Ltd. (formerly Waterland Financial Holdings Co., Ltd.). If our relationships with our alliance and joint venture partners were to deteriorate, our businesses could be adversely affected. Additionally, in jurisdictions where a local partner is required in order to operate, a deterioration in our relationship with our local partner or an unrelated deterioration in the financial condition of the local partner could disrupt our operations.

We may be unable to realize the anticipated benefits from our acquisitions and strategic investments, and we may be required to recognize impairment losses on our goodwill and other intangible assets as well as our tangible assets.

Acquisitions and strategic investments have historically been a key part of our business and growth strategy, and we established several of our core businesses, including online travel, online marketing and online financial services, through acquisitions of other companies. In recent years, we have increased our focus on strategic investments through transactions such as our acquisition of Robin Systems, Inc., which operates Robin.io, in February 2022, our investments in Altiostar Networks, Inc., or Altiostar, in May 2019 and August 2021 (the second, for a total consideration of ¥41,570 million in cash and ¥1,097 million of contingent consideration, made Altiostar our indirect wholly-owned subsidiary) and our investment in the SpaceMobile business of AST & Science, LLC (now AST SpaceMobile) in March 2020. These investment activities have sought to achieve synergies and other benefits, including through expanding our Rakuten Ecosystem and our user base, increasing traffic to our sites and expanding the scope of services provided on our platform and the regions in which they are provided.

With respect to our acquisitions, the process of integrating an acquired company into our business exposes us to a variety of risks and challenges. As a result, we may not be able to realize the full extent of synergies or benefits that we anticipate from the transaction within the expected timeframe or at all. Such risks and challenges could include, among others:

- diversion of management time and focus from operating our business to acquisition integration challenges;
- integration of each company's accounting, management information, human resource and other administrative systems to permit effective management and sufficient internal controls;
- corporate cultural challenges associated with integrating management and employees from the acquired company into our organization;
- retention of management and employees from the businesses we acquire, particularly in areas of Internet services and technology and other highly competitive labor markets which may involve substantial costs including stock option awards and performance-based bonuses;
- expansion into business areas with which our existing management has limited or no experience;
- addressing new legal and regulatory requirements, tax systems and compliance risks in new industries;

- mitigating potential damage to relationships with customers and other parties of the acquired business as a result of the integration of operations, rebranding and transition of existing users onto our platform;

- the difficulty of integrating or failure to successfully utilize the expertise, technology and rights held by the acquired business into our systems and services and unanticipated expenses related to such integration;

- implementation of internal controls, procedures and policies appropriate for a larger public company at acquired companies that lack such internal controls, procedures and policies; and

- challenges associated with managing larger and more complex operations and facilities, and employees from a wide variety of corporate cultures located in different geographic areas.

As overseas acquisitions have been an important aspect of our expansion strategy, we are exposed to unique risks in addition to those mentioned above, including risks related to management and integration of operations across different cultures and languages, currency risks and increased exposure to the particular economic, political and regulatory risks, including supervision by governmental authorities and self-regulatory bodies, associated with specific countries where acquired businesses operate. In addition, to the extent that we expand into new geographic markets or new business areas where we have limited experience and management resources of our own, we may rely heavily on existing management and employees to operate the acquired business and would be exposed to heightened risk of management and employee departures. Moreover, although we conduct due diligence in connection with each of our acquisitions, there may be contingent liabilities, legal claims or other unidentified problems associated with acquired businesses that may not be covered by indemnities obtained from the seller. Such contingent liabilities, legal claims and other problems may result in impairment charges or other expenses, other remedial actions, costly litigation, adverse judgments or settlements, reputational harm or decreased financial performance of the acquired business, any of which could have a material adverse effect on our business, financial condition and results of operations.

With respect to our strategic investments, and particularly minority investments, we face a variety of risks, including risks with respect to the target company's management and the influence of other investors and strategic partners. See "—Our investments, alliances and collaborations may not produce adequate opportunities or returns."

We have recognized a significant amount of goodwill and other intangible assets in connection with our acquisitions. As of December 31, 2023, goodwill on our consolidated statement of financial position was ¥594,472 million and intangible assets with indefinite useful lives was ¥64,819 million, growing to ¥603,188 million and ¥73,858 million, respectively, as of September 30, 2024. The increase in goodwill was mainly due to foreign exchange rate fluctuations. In addition, we may recognize additional goodwill and other intangible assets in connection with future acquisitions. We assess at each quarterly reporting date whether there is an indication that tangible assets, such as land, buildings, machinery and equipment, intangible assets, goodwill and intangible assets with indefinite useful lives and intangible assets not yet available for use, and if there is any indication that an asset may be impaired, we estimate the recoverable amount of that asset or Cash Generating Unit (the "CGU"), or the group of CGUs to which it belongs, as appropriate. In addition, we perform impairment testing of goodwill and intangible assets with indefinite useful lives at least annually, regardless of whether there is any indication of impairment. If the carrying amount of an asset, CGU or group of CGUs to which goodwill and intangible assets with indefinite useful lives has been allocated exceeds its estimated recoverable amount, we recognize an impairment loss related to that asset or the assets in the CGU or CGU group first to reduce the carrying amount of goodwill and then as appropriate in accordance with IFRS. Should we recognize an impairment loss, there could be a material adverse effect on our financial condition and consolidated results of operations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting our Results of Operations—General Factors—Acquisitions and Investments in Associates and Joint Ventures."

We may be unable to acquire businesses in the future that enhance our existing operations.

We actively engage in acquisitions and other strategic transactions as a key part of our business strategy to develop and enhance our Rakuten Ecosystem through the integration of acquired businesses, products and technologies. From time to time, we expect to continue to evaluate potential acquisitions and strategic transactions, some of which may be significant in size or otherwise substantial. However, there is no assurance

that we will engage in future acquisitions or that we will be able to complete acquisition opportunities that we do pursue in a timely manner or at all. We could fail to complete future acquisitions for a variety of reasons, including failure to negotiate and agree on acceptable pricing and other terms, failure to obtain required consents and approvals and address relevant legal or regulatory issues or inability to obtain necessary financing for any future acquisitions on acceptable terms or at all. If we are unable to complete attractive acquisition opportunities that we identify, we may be unable to implement our growth strategies, which could negatively affect our results of operations and growth prospects.

Our success depends on the value of the Rakuten brand, and failure to maintain and enhance the value of our brand in a cost-effective manner could harm our results of operations.

The strength of our brand is critical to our ability to build and maintain our Rakuten Ecosystem by attracting and retaining users for a broad range of Rakuten services including our e-commerce platform, online financial services, mobile network and digital content offerings. As we expand into new geographic regions, work to grow our presence in existing markets or enter new business areas, we may experience increases in brand promotion costs, and there is no assurance that we will be able to achieve a corresponding increase in brand awareness or users. Maintaining and enhancing our brand is challenging and depends on a number of factors, including:

- the attractiveness, usability, reliability and security of our websites and mobile applications;
- our ability to provide high-quality products and services across all our businesses, including customer service and technical support;
- our ability to respond quickly and effectively to the changing needs of our users and customers; and
- the effectiveness of our marketing and brand promotion efforts.

Due to our strategy of using the Rakuten brand across many of our diverse businesses, problems or negative publicity associated with one of our businesses or our brand itself could adversely affect our other businesses and our business as a whole. As part of our branding strategy, we have in many cases converted newly acquired businesses to the Rakuten brand by unifying membership databases and platforms, implementing a common membership points program and allowing access to our services using a single user ID in order to integrate these businesses into our Rakuten Ecosystem. In some cases, we also pursue a dual branding strategy by integrating the Rakuten brand with an acquired brand. While we generally conduct brand integration in a controlled manner by introducing the Rakuten brand gradually, changes to the logos, brand names or user IDs of newly acquired businesses could lead to a loss of loyalty among existing users and result in a reduction of the number of our users or the usage of our services.

Actual or alleged incidents involving us could result in negative publicity that could harm the Rakuten brand or our other brands, including misconduct or criminal activity, data privacy breaches, scandals involving our management or employees, operational problems, illegal, unfair or inconsistent employment practices, employee dissatisfaction and fraud or injury. In addition, any actual or alleged incidents by third parties including our alliance partners, licensees, customers, merchants or other users of our websites, over whom we have little or no control, could adversely affect the image of the Rakuten brand. Negative publicity could take a variety of forms including media reports, market rumors, postings to the Internet or social-networking services and anonymous letters or emails, and even untrue or unsubstantiated allegations could adversely affect public perception of our brand. Any developments adversely affecting our brand could make us or our products or services less appealing to customers, alliance partners, merchants, advertisers and investors and could adversely affect the value of our shares.

If we are unable to maintain or enhance the value of the Rakuten brand in a cost effective manner, our business, financial condition and results of operations could be harmed.

Our results of operations could be adversely affected by negative economic conditions in Japan and overseas.

We operate in a number of business areas that are sensitive to economic conditions. We are primarily exposed to economic conditions in our home market of Japan, and we have become increasingly exposed to economic conditions in other countries such as the United States as the scale and scope of our international businesses have expanded.

In recent years, the Japanese economy and market environment have experienced a gradual recovery due to increased capital investment and production by companies along with continuing improvements in the wage and employment environment, but the sustainability of this recovery trend remains uncertain. One such concern is the effect of changes in the monetary policies of the Bank of Japan (the "BOJ"). On March 19, 2024, the BOJ stated that its theretofore effective policy framework of the quantitative and qualitative monetary easing with yield curve control and its negative interest rate policy had fulfilled their roles and set the uncollateralized overnight call rate to around 0 to 0.1 percent. The BOJ also announced, among other things, the gradual reduction of the amount of purchases of commercial paper and corporate bonds and the eventual discontinuation of such purchases in about one year from the date of the announcement. Subsequently, on July 31, 2024, the BOJ further raised its short-term interest rate target to 0.25%, marking the highest level since 2008. As of October 2024, the BOJ has maintained this rate, indicating a cautious approach to normalizing its monetary policy. Interest rate policy changes may have negative effects on consumers, such as through increased interest rates on housing loans or other consumer loans, or other negative effects on our business and economic activity in Japan, and in turn could adversely affect our business and our ability to achieve our strategies. Apart from changes in BOJ's monetary policies, other concerns include the effect of recent inflation in Japan and abroad and the potential negative consequences of an increasing budget deficit that will adversely affect long-term economic prospects. Over the long term, demographic trends leading to population decreases in Japan could also negatively affect demand for housing as well as consumer spending overall.

The negative effect on the global economy of geopolitical developments such as the situations in Ukraine and the Middle East or developments relating to China and Taiwan, global supply chain disruptions and developments in financial markets such as increases in interest rates, including with respect to U.S. dollar-denominated indebtedness, and fluctuations in exchange rates, particularly the recent weakness of the Japanese yen against the U.S. dollar and other currencies. In particular, the global economy has experienced negative effects from the situation in Ukraine, including disruptions to supply chains and upward pressure on the costs of goods and energy from increases in the price of fuel, and it is unclear how long this situation will continue or what other negative effects may occur. Volatility in the global banking sector, such as bank failures in the United States and the acquisition of Credit Suisse Group AG by UBS Group AG in June 2023, has also increased global economic uncertainty, and may continue to do so in the future.

Changes in economic or market conditions both in Japan and overseas could adversely affect us in a number of respects. If we experience reduced consumer spending due to inflation, reductions in disposable income or other factors, transaction volumes in our e-commerce businesses or other businesses could decline. A weak economic environment could also adversely impact our financial services businesses through deterioration of consumers' credit quality in our consumer-related business, a reduction of securities transactions in our securities business or decreases in new contracts or premature cancellations of contracts for our insurance businesses. In addition, a portion of our revenues are derived from digital advertising which is a part of the advertising market that is particularly susceptible to general economic trends, and unfavorable general economic conditions would likely have a negative impact on the marketing budgets for our advertisers. Accordingly, any downturn in business confidence or general economic conditions could result in a decrease in our revenues from some of our Internet advertising products and similar sources. As a result, our business and results of operations could be adversely affected.

Demographic trends in Japan could have a negative effect on our business.

Although we have been expanding overseas in recent years, our businesses in Japan continue to constitute a majority of our operations and a substantial majority of our revenue and profitability. In the year ended December 31, 2023, revenue from external customers in Japan contributed 84.8% of our consolidated revenue. The ongoing aging and decline of both the overall population and the working population in Japan may adversely affect the Japanese economy and the size of the individual markets in which we operate and increase competitiveness in already intensely competitive markets. As a result, we face pressure over the mid- to long-term to further expand our operations overseas while also increasing our market share and profitability in Japan. In particular, as the size of the domestic retail market shrinks, the competitive environment for many of our businesses across our segments, which are focused on the retail sector and, in many cases, saturated markets, will become increasingly intense, and we may increasingly be required to convert our competitors' customers into our own. Our inability to do so could impede our future growth and have a material and adverse effect on our business, financial condition and results of operations.

We are exposed to adverse political or economic developments in the foreign countries in which we operate and other difficulties related to our overseas operations.

Global expansion of our business is one of our key strategies, which includes the extension of our Internet services to many regions including the Americas, Europe and Asia as well as the acquisition of overseas businesses. In addition to uncertainty about our ability to generate revenue and profit from our foreign operations and further expand our international market position, there are certain risks inherent in doing business internationally, including:

- difficulties in developing, staffing and simultaneously managing and monitoring a large number of varying foreign operations as a result of distance, language and cultural differences;
- different payment cycles and different accounting practices;
- different corporate governance and internal controls practices and difficulties in establishing and maintaining satisfactory governance and internal controls policies and adequate compliance and confirmation practices;
- the effect of overseas government and central bank fiscal and monetary policies on the global economy, such as recent central bank moves to increase interest rates in an effort to combat inflation;
- currency exchange rate fluctuations, such as the recent rapid devaluation of the Japanese yen against the U.S. dollar;
- political or social unrest, such as the situations in Ukraine and Gaza, developments relating to China and Taiwan, uncertainties as a result of the recent U.S. presidential election, or resulting economic instability;
- a worsening of Japan's relationships with China, South Korea or other foreign countries;
- a worsening of the bilateral relationships of foreign countries, including with respect to the United States and China, that may affect global trade and security policy, including with regards to technology;
- adverse tax consequences;
- different preferences and trends among users and customers;
- lower brand name recognition, particularly if we undertake post-acquisition brand conversion of locally well-known brands to the Rakuten brand name;
- competition in specific business markets outside Japan that may be significantly more intense than competition in the corresponding domestic Japanese business markets and competition with local companies who may understand the local market better than we do;
- credit risk and higher levels of payment fraud;
- different legal and regulatory systems with different and more stringent consumer protection, data protection and similar laws; different intellectual property laws; different legal and regulatory requirements that may limit or prevent the offering of our services or create uncertainty in our business, prevent enforceable agreements between sellers and buyers, prohibit the listing of certain categories of goods, require special licensure, limit the transfer of information between Rakuten and our affiliates, favor local competitors or prohibit or restrict foreign ownership of certain businesses; along with the possibility that such legal or regulatory systems could change to become less favorable to us or more complicated or result in a higher risk of litigation;
- different employee/employer relationships, labor market practices and the existence of workers' councils and labor unions;

- difficulties in integrating with local payment providers, including banks, credit and debit card associations, and electronic fund transfer systems;

- difficulties in developing products and services in different languages and for different cultures; and

- differing levels of retail distribution, shipping, and Internet and communications infrastructures.

Unfavorable performance of our overseas operations for the above reasons or any other factors would have an adverse effect on our business, financial condition and results of operations, and our international costs of doing business may exceed our comparable domestic costs. Even where our businesses are not directly affected, indirect effects of these factors may adversely affect our businesses. For example, recent events, such as the situation in Ukraine and the Middle East, have contributed to supply chain difficulties and inflation internationally, which could negatively affect our business, results of operations and financial condition. In addition, establishing businesses in new overseas markets may involve upfront costs to the extent that we establish local subsidiaries, personnel and infrastructure, and there is no assurance that we will be able to recover such costs.

Fluctuations in currency exchange rates or increases in foreign exchange hedging costs could materially and adversely affect our financial condition and results of operations.

We have substantial overseas operations and are working to further expand the scope of our overseas businesses. We principally conduct our overseas business transactions in foreign currencies, in particular the U.S. dollar, Canadian dollar and Euro. Although we seek to hedge our exposures to foreign currency fluctuations (including for foreign currency-denominated bonds issued by Rakuten Group, Inc.), we may be unable to do so completely, or may incur increased hedging or funding costs as a result of foreign currency fluctuations or spreads between U.S. dollar and Japanese yen-based interest rates. Foreign currency-denominated assets and liabilities of our subsidiaries are reported in the relevant local currencies and then translated to Japanese yen at the period-end applicable exchange rate, while foreign currency-denominated results of operations of our subsidiaries are reported in local currencies and then translated to Japanese yen based on the period-average applicable exchange rate as part of the preparation of our consolidated financial statements. As a result of the translation of the financial results of our overseas subsidiaries into Japanese yen, substantial changes in exchange rates between the foreign currencies in which the financial results of our subsidiaries are denominated and the Japanese yen could have a material effect on our results of operations. Changes in foreign currency exchange rates also affect the amount of assets and liabilities denominated in foreign currency, including goodwill we carry in connection with past overseas acquisitions, when translated into Japanese yen, and as a result our net assets could be negatively affected as a result of fluctuations in foreign exchange rates. In particular, the Japanese yen has rapidly depreciated against the U.S. dollar and other foreign currencies and has recently experienced extreme fluctuations. While this leads to an increase in the contribution of our non-yen denominated businesses, a sudden appreciation in the value of the yen could cause the reverse effect.

Interruption or failure of our information technology and communications systems due to natural disasters, human error or cyber-attacks could impair our ability to effectively provide our products and services, which could damage our brand and reputation and adversely affect our results of operations.

We depend on the continuing operation of our information technology and communications systems to provide our products and services. Most of our businesses rely almost exclusively on the Internet to provide services to our users and customers. In addition, our MNO network depends on over 60,000 physical base stations as of September 30, 2024. Any damage to or failure of our digital systems, our physical infrastructure, including physical base stations, or the telecommunications infrastructure more broadly could result in interruptions in our services, which could damage our brand and reputation and could result in decreased use of our services and cause us to incur significant costs or financial losses. For example, we recognized a ¥1,154 million incurred expenses including maintenance and repair costs for base stations related to the 2024 Noto Peninsula Earthquake for the nine months ended September 30, 2024. In addition, certain of our regulated subsidiaries, such as *Rakuten Card*, *Rakuten Bank*, *Rakuten Securities*, *Rakuten Payment*, *Rakuten Edy*, *Rakuten Wallet*, *Rakuten Mobile*, *Rakuten Life Insurance*, *Rakuten General Insurance* and *Rakuten Symphony*, could be subject to administrative sanctions due to system failures.

Our systems are vulnerable to damage or interruption from earthquakes, acts of war or terrorist attacks, tsunamis, typhoons, floods, fires, power loss, hardware and software defects and malfunctions and telecommunications failures. A significant portion of our major businesses and their respective data centers are

located in the Tokyo metropolitan area in Japan, which has a high risk of major earthquakes. Other major businesses are located on the east and west coasts of the United States, which may also experience natural disasters. Our data centers are also subject to break-ins, sabotage and intentional acts of vandalism, and to potential disruptions if the third-party operators of these facilities have operational or financial difficulties. The occurrence of a natural disaster, closure of a facility we are using without adequate notice for financial reasons or other unanticipated problems at our data centers could result in lengthy interruptions in our service.

Despite our implementation of network security measures, our servers and the Internet generally are vulnerable to computer viruses, worms, and other malicious software programs, physical and electronic break-ins, sabotage and similar disruptions, and we may be vulnerable to coordinated attempts to overload our systems with data, resulting in denial or reduction of service to some or all of our users for a period of time. In addition, we have observed a high level of attention in the industry to the risk of cyber-attacks that could result in unauthorized access to confidential or sensitive information, including personal information, misappropriation of assets, corruption of data or operational disruption. On December 25, 2020 and January 26, 2021, we announced that we had discovered an incident of unauthorized access of certain data related to our group companies that was stored by a third-party cloud system provider, including personal identifying information related to *Rakuten Ichiba*, *Rakuten Card* and *Rakuten Edy*. To combat cyber-attacks, we have policies and procedures in place to prevent or limit the effect of possible security breaches of our information technology systems, but there can be no assurance that our policies and procedures will be sufficient to protect our systems. For example, our e-commerce, financial services and online communications businesses must provide secure transmission of confidential information over public networks, and many of our users routinely provide us with credit card, bank account and other financial information. We rely on encryption and authentication technology licensed from third parties to effect secure transmission of confidential information, including customer credit card numbers. Advances in computer capabilities, new discoveries in the field of cryptography or other developments may result in a compromise or breach of the technology we use to protect such personal and transaction data.

If our efforts to combat these malicious applications or cyber-attacks are unsuccessful, or if our products and services have actual or perceived vulnerabilities, customers and potential customers may lose confidence in our security and our user traffic could decline, which would have a negative effect on the value of our brand. Moreover, security breaches could damage our reputation and expose us to a risk of loss or litigation and possible liability. Certain of our businesses may not be insured against losses caused by security breaches, and any insurance policies we hold may not cover or may not be adequate to reimburse us for such losses. We are also exposed to targeted attempts by third parties to access and misuse our systems, such as unauthorized account access and fund transfers in our digital banking business. In addition, we depend on third parties for certain services with respect to the implementation and maintenance of our information systems and accordingly some system problems and failures may be outside of our control. There is also a possibility that our disaster recovery and business continuity plans may not address all contingencies that could arise in the event of a major disruption of services, which could harm our reputation, business, financial condition and results of operations.

If the personal information of our users is mishandled, used inappropriately, leaked, lost or stolen, it may adversely affect the value of our brand, our reputation and our results of operations.

Our business operations involve the regular gathering, storing and transmitting of a significant amount of confidential information, in particular the personal information of 145.4 million cumulative registered Rakuten members (defined as members who logged in one or more times after registration and excluding membership withdrawals) as of September 30, 2024, directly or in some cases through our third-party service providers. Depending on the type of service, such confidential information could include names, email addresses, dates of birth, addresses, telephone numbers, bank account information, credit card information, financial information, health-related information and other personal information. We handle such information on a broad scale across our many services and transmit the information between users of our services to support a vast number of online transactions.

We are required to comply with various laws, regulations and guidelines relating to the protection of personal information, including the Act on the Protection of Personal Information of Japan (Act No. 57 of 2003, as amended) (the "Act on the Protection of Personal Information"), and the financial services businesses in our FinTech segment are subject to strict regulation and supervision in connection with the handling of personal information relating to our customers under various laws and regulations including the Banking Act of Japan (Act No. 59 of 1981, as amended) (the "Banking Act"), and guidelines and rules issued under the FIEA. Additionally, in the European Union we are required to comply with the General Data Protection Regulation (GDPR), which became effective May 25, 2018. The GDPR applies to any company established in the European

Union as well as to those outside the European Union if they collect and use personal data in connection with the offering of goods or services to individuals in the European Union or the monitoring of their behavior. In the United States, California has enacted the California Consumer Privacy Act of 2018, or CCPA, which became subject to enforcement starting from July 1, 2020 and provides expanded privacy protection for consumers. The potential effects of this legislation and the related CCPA regulations are far-reaching and may require us to modify our data processing practices and policies and to incur substantial costs and expenses in an effort to comply. For example, the CCPA gives California residents (including non-residents employed in California, though only in limited circumstances until January 1, 2023) expanded rights to transparency access and require deletion of their personal information, opt out of certain personal information sharing and receive detailed information about how their personal information is collected and used. The CCPA also provides for civil penalties for violations, as well as a private right of action for data breaches that may increase data breach litigation. Additionally, a new privacy law, the California Privacy Rights Act, or CPRA, was approved by California voters in November 2020. The CPRA creates obligations relating to consumer data beginning on January 1, 2022, with enforcement beginning July 1, 2023. The CPRA significantly modifies the CCPA, potentially resulting in further uncertainty and requiring us to incur additional costs and expenses in efforts to comply. The enactment of such laws is prompting similar laws being passed in other states in the United States, such as Colorado, Connecticut, Utah and Virginia, creating the potential for a patchwork of overlapping but different state laws, and is inspiring federal legislation. In our credit cards and other card businesses, we are required to comply with Payment Card Industry Data Security Standard (PCI DSS), which is an international standard for cardholder data security.

We are subject to the risk that the personal information that we collect may not be handled in accordance with local regulations across the many jurisdictions in which we operate, which could result in alleged or actual violations of applicable rules and regulations leading to regulatory action, which could in turn damage our brand reputation and adversely affect our business and results of operations. For example, in August 2019, Unrollme Inc., our indirectly held subsidiary in the United States that operates an email subscription management business, entered into an agreement containing a consent order with the United States Federal Trade Commission (the "FTC), following a complaint by the FTC that Unrollme Inc. had violated the Federal Trade Commission Act for failing to sufficiently disclose its data usage and sharing practices under certain circumstances. In addition, in the past, we have experienced leaks of personal information by us and by third parties that have access to the personal information of our users. For example, on December 25, 2020 and January 26, 2021, we announced that we had discovered an incident of unauthorized access of certain data related to our group companies that was stored by a third-party cloud system provider, including personal identifying information related to *Rakuten Ichiba*, *Rakuten Card* and *Rakuten Edy*. Additionally, on March 10, 2021, *Rakuten Mobile* received written guidance from the MIC with regard to the leakage of personal information regarding approximately 16 users of our *Rakuten Link* mobile application. As a result of any leaks of confidential information, we could potentially be subject to regulatory actions or lawsuits for damages from users. We could incur additional expenses to provide compensation to victims or change our security systems, either voluntarily or in response to written guidance or other regulatory initiatives from the government, or in connection with public relations campaigns designed to prevent or mitigate damage to our brand or reputation. Potential future changes in the regulatory framework or shifts in public opinion may also restrict our ability to use the personal information that we collect for our planned purposes. Despite any efforts to mitigate the adverse impact on us, mishandling, leaks or misuse of confidential information could damage our brand and reputation and result in decreases in the use of our services, which could adversely affect our business and results of operations.

The loss of or other negative developments involving senior and other key management, in particular Hiroshi Mikitani, could adversely affect our business.

Our performance is substantially dependent on our senior and other key management. These individuals have acquired specialized knowledge and skills with respect to the Rakuten group and our businesses. The familiarity of these individuals with the group and our businesses, their experience in management and with financial matters and their decision-making abilities make them especially critical to our success. If one or more members of our key personnel were unable or unwilling to continue in their present positions, our business and operations could be disrupted and our growth potential could be impaired.

In particular, we depend in large part on the leadership, knowledge, expertise and services of Hiroshi Mikitani, the founder and Representative Director, Chairman, President and Chief Executive Officer of Rakuten Group, Inc., especially for managing our business, identifying new business opportunities, creating new business models and enhancing our brand image. Mr. Mikitani's reputation and personal contacts in and outside of the industries in which we operate give Rakuten group companies access to many opportunities which would not

otherwise be available to us. Mr. Mikitani's departure or inability to provide services could have a material adverse effect on our business and results of operations. In addition, because of how closely associated our founder Mr. Mikitani is with our brand and the significant media attention that he regularly attracts in Japan, negative publicity, even without merit or basis in fact, directed at Mr. Mikitani could also impact the Rakuten brand and have an adverse effect on our reputation, business, results of operations, financial condition or the prices of our securities. For example, on April 4, 2023, we announced that we and Mr. Mikitani had filed a defamation lawsuit regarding a tabloid article that made scandalous claims and insinuations about Mr. Mikitani, including connections to anti-social forces and the use of illegal drugs that has no basis in fact, with the tabloid's publisher, editor and the reporter named as defendants. On August 30, 2024, the Tokyo District Court ordered the defendants to delete the online article and pay damages in the amount of ¥2.2 million to Mr. Mikitani.

We rely on third-party providers for key products and services critical to our business and any errors, failures or disruption in the services provided by these third parties could significantly harm our brand, business, financial condition and results of operations.

We contract with a number of third parties for services that are key to our operations. We rely on third parties for services including:

- our principal Internet connections and technologies;
- prompt delivery, installation and maintenance of servers and other equipment to provide our services;
- co-location of a significant portion of our data servers and network access;
- travel and accommodation providers;
- technology underlying the delivery of news, stock quotes and current financial information, Internet search, chat services, street mapping and telephone listings, streaming capabilities and similar services;
- global and national credit card brands, including JCB Co., Ltd., American Express Company, Mastercard Incorporated and Visa Inc.;
- ATM services for accountholders through ATMs operated by other banks and convenience stores;
- independent financial advisors and back-office services for our online securities business;
- roaming services for our MNO business by KDDI which provides our MNO business with 4G mobile network roaming services in applicable locations nationwide through KDDI's *au* telecommunications network; see "—Risks Relating to Our Mobile Segment—*Rakuten Mobile*'s heavy reliance on the roaming agreement with KDDI, particularly for its SAIKYO plan, subject it to significant risk, and the SAIKYO plan may not provide the benefits we expect.";
- infrastructure access and utilization rights based on agreements with certain of Japan's regional power companies, such as our agreement with Tokyo Electric Power Company Holdings, Inc., or TEPCO, which allows us to utilize TEPCO's transmission towers, utility poles, telecommunication towers, rooftop facilities and other equipment for our network of physical base stations for our MNO business;
- storage, fulfillment, logistics and delivery services for our direct sales of products to consumers; and
- the manufacture of our *Rakuten Kobo* e-reader devices.

Any disruption, from natural disasters, pandemics, technology malfunctions, cyberattacks, sabotage or other factors, in the Internet, network access, co-location or other services or the products provided by these third-party providers, any failure of these third-party providers to handle current or higher volumes of use or any failure by our telecommunications and utility partners to comply with our access agreements or to properly maintain their networks or utility interconnection facilities may create interruptions or quality problems for our

telecommunications services, and any of these disruptions could significantly harm our business, financial condition and results of operations. Any errors, failures, interruptions, or delays experienced in connection with these third-party products, technologies and information services could adversely impact our relationship with users and adversely affect our brand, business, financial condition and results of operations. We require our suppliers and vendors to comply with laws and, where applicable, our company policies and practices, regarding a variety of matters, such as workplace and employment practices, data security, environmental compliance, and intellectual property licensing, as well as conducting risk assessments and screening and engaging in other risk management efforts. However, we do not and cannot control our suppliers or vendors (or their respective officers and employees) or their practices. This increases our vulnerability to disruptions, problems with their products or services, or the risk that they may violate applicable law or our policies and procedures. Any operational or financial difficulties experienced by or misconduct, criminal activities or fraud conducted by our providers may have negative effects on our brand or business, the nature and extent of which we cannot predict.

Supply chain disruptions could materially and adversely affect our reputation, business, financial condition and results of operations.

The ability to procure and supply products in a timely manner is critical to our businesses. Our business, financial condition and results of operations may be affected by a number of manufacturing and supply chain risks. We have experienced and may in the future experience supply shortages, price increases, and/or longer lead times negatively affecting our operations, driven by availability of products, labor shortages, industry allocations, logistics capacity, inflation, foreign currency exchange rates, tariffs, sanctions and export controls, trade disputes and barriers, geopolitical tensions, armed conflicts, natural disasters or pandemics, the effects of climate change, power loss, manufacturing-related issues, cyber-attacks, and significant changes in the financial or business condition of our suppliers and vendors. A significant supply interruption that affects us or our suppliers and vendors could delay consumer product availability or our ability to supply goods and services across our business, leading to, for example, lost sales opportunities in our *Rakuten Ichiba* business or disruptions to our MNO network, or requiring us to make additional expenditures to ameliorate such issues or seek alternative vendors or suppliers, which may not be possible on favorable terms or at all. See "—Risks Relating to Our Mobile Segment—We purchase and lease various equipment, products and services from suppliers for the operation of our MNO network, and our inability to procure such equipment, products or services or defects therein could adversely affect our business." Moreover, many of these vendors and suppliers are third parties that are not subject to our control. See "—We rely on third-party providers for key products and services critical to our business and any errors, failures or disruption in the services provided by these third parties could significantly harm our brand, business, financial condition and results of operations."

If we are unable to maintain or protect our intellectual property rights, including licensed intellectual property rights, our brand and results of operations may be adversely affected.

We regard our intellectual property rights, including our licenses to intellectual property rights and our rights to certain Internet domain names, as critical to our brand and success. We rely on trademark, copyright and patent law, trade secret protection and confidentiality and license agreements with customers, affiliates and others to protect our proprietary rights, and we rely on third parties to license to us some of the intellectual property that we use in our business. While we attempt to protect our brand and our intellectual property rights and stop any unauthorized use of our proprietary rights, the efforts we take to maintain our licenses and protect our proprietary rights may not be sufficient or effective. The contractual arrangements, information security measures and other steps we have taken to protect our intellectual property rights may not prevent misappropriation of our proprietary rights or deter independent development of similar technologies and services by others. Furthermore, protection of some of the distinctive elements of our services may not be available under copyright or other intellectual property laws, and second-mover businesses have emerged that seek to replicate such innovations, in some cases with significant success. In addition, third-party licensors of intellectual property rights may not continue to license intellectual property rights to us that we consider important to our business on commercially reasonable terms, or at all, particularly if those intellectual property rights are infringed upon by third parties as a result of our use of those rights. If we are not successful in protecting our intellectual property rights or maintaining our licenses to intellectual property rights on satisfactory terms, it could have a material adverse effect on our business, financial condition and results of operations.

We pursue the registration of our trademarks and service marks in Japan and internationally. We must protect our intellectual property rights in an increasing number of jurisdictions. However, effective trademark, service mark, copyright, trade secret and patent protection may not be available in every country in which our services are made available online. Furthermore, regulations governing Internet domain names may not prevent

others from using our trademarks and similar proprietary rights. For example, if third parties use our trademarks in connection with their domain names, we could lose potential business or experience damage to our brand. In addition, protecting our intellectual property and other proprietary rights is expensive and time consuming. Any increase in the unauthorized use of our intellectual property rights could make it more expensive to do business, which would have an adverse effect on our results of operations.

We are, and may in the future be, subject to intellectual property infringement claims, which are costly to defend, could require us to pay damages and could limit our ability to provide certain content or services or use certain technologies.

Companies in the online services, technology, finance and media industries own large numbers of patents, copyrights, trademarks and trade secrets and frequently enter into litigation based on allegations of infringement or other violations of intellectual property rights. In the ordinary course of business, we have been and continue to be subject to disputes regarding the ownership of technologies and rights associated with our online businesses, and as we continue to expand our businesses, develop new technologies and business models and face increasing competition, the possibility of additional intellectual property rights claims against us grows. In addition to patent claims, third parties may assert claims against us alleging infringement of copyrights, trademark rights, trade secret rights or other proprietary rights, or alleging unfair competition or violations of privacy rights.

Although we believe we make reasonable efforts to ensure that our services do not violate the intellectual property rights of others, it is possible that third parties may claim that we have infringed upon their rights. Any intellectual property claims against us, with or without merit, could be time-consuming and expensive to litigate or settle and could divert management resources and attention. In the event that there is a determination that we have infringed upon third-party proprietary rights such as patents, copyrights, trademark rights, trade secret rights or other third-party rights such as publicity and privacy rights, we could incur substantial monetary liability, be required to enter into royalty or licensing agreements, which may not be available on reasonable terms, or be prevented from using the rights, any of which could require us to change our business practices, limiting our ability to provide certain content or services and compete effectively or otherwise have a material adverse effect on our business, financial condition and results of operations.

We may not be able to attract, retain and train enough skilled personnel.

Our continued success depends on our ability to hire, retain and train qualified employees. We require employees with specialized expertise in a number of fields, such as web and systems design, programming and other information technology areas, e-commerce management and consulting, financial services and regulatory compliance. In order to maintain the effectiveness of our workforce, we must also engage in the ongoing training of our personnel, particularly in areas where the technology or business is rapidly evolving. There is significant competition for highly skilled technical, business and other personnel in Japan and our other operating markets, particularly in the Internet services and financial services industries. If we are unable to hire qualified personnel or retain and train our existing personnel, or if we are forced to incur additional costs to hire, retain and train personnel, our business, financial condition and results of operations could be adversely affected.

The occurrence of natural or man-made disasters may adversely affect our business, financial condition and results of operations.

Our business operations are subject to the risk of natural disasters such as earthquakes, volcanic eruptions, tsunamis, typhoons, hurricanes, floods, heavy snow, pandemics, man-made disasters, such as wars, acts of terrorism or armed conflict, and core infrastructure failures such as power grid failures. In particular, we are exposed to the risk of natural disasters in Japan, which is prone to disasters such as earthquakes and tsunamis, due to the concentration of a majority of our customers and merchants in Japan and our corporate functions in Tokyo. In addition to larger scale natural disasters, in recent years Japan has experienced a relatively high number of typhoons and torrential rain that have affected general levels of economic activity on a regional basis for limited periods of time. Disasters or catastrophes could result in significant disruptions to our business and operations and other negative consequences, including:

- disruption of our normal business operations or accessibility of our websites resulting from damage to our data centers, headquarters, information technology systems, logistics facilities, physical base stations for our MNO business or other properties or damage to public and private infrastructure, including power supply, communications, financial services and transport and delivery routes, or similar disruptions to our business partners;

- disruption of operations in our business or the business of our partners or service providers due to the spread of infectious diseases such as the COVID-19 pandemic or new pandemics;

- decreases in online transactions due to disruptions in Internet access or the negative effect of disasters on our customers, users, merchants or other participants in our online services;

- shipping and delivery delays for logistics services related to *Rakuten Ichiba*, such as logistics delays in Ishikawa prefecture in January 2024 due to the 2024 Noto Peninsula Earthquake and in Kumamoto prefecture in July 2020 due to torrential rains;

- increases in the payment of insurance claims by *Rakuten General Insurance*, including an increase in claims that may exceed our reinsurance availability and risk reserves, which may negatively affect our profitability;

- costs and expenses for repairing, replacing or rebuilding damaged properties and infrastructure;

- losses in our investment and loan portfolio due to volatility in financial markets or the failure of counterparties to perform; and

- a downturn in economic conditions, decrease in advertising demand, decreases in consumer spending or adverse consumer sentiment that adversely affects demand for our services.

Our business, financial condition and results of operations could be materially and adversely affected in the event of any disaster or catastrophe. There can be no assurance that our business continuation and crisis management plan or insurance coverage would be effective in mitigating any negative effects of a disaster, or that the business continuation and crisis management plans of third parties on which we rely would be effective in mitigating any negative effects on the provision of such services and products in the event of a disaster.

We are subject to risks relating to climate change.

Our business, financial condition and results of operations may be affected by climate change. Risks related to climate change can be broadly classified into physical risks associated with climate change and transition risks such as the expansion of various regulations associated with the transition to a low-carbon society.

Physical risks include the impact of specific extraordinary disasters or adverse weather events. To the extent that general climate change or shifts in weather patterns result in an increase in the frequency, severity or duration of severe weather events, such events could affect the general level of economic activity or may result in an increased risk of infrastructure failures or other disruptions in our operations, which may adversely affect our business, financial condition and results of operations. Moreover, *Rakuten General Insurance* provides various insurance products that cover damage caused by natural disasters, and, in recent years, the amount of insurance claims paid out for large-scale natural disasters considered to be closely related to global warming has increased.

As society increasingly transitions to decreased carbon usage, we are exposed to transition risks in terms of laws and regulations, technologies, markets and our reputation. There is a possibility that various additional laws and regulations such as carbon taxes will be imposed on us, including without the benefit of a grace period, by governments in the countries and regions in which we operate, including Japan, and such changes in laws and regulations may require us to incur increased costs. Market-related transition risks include, for example, potential increases in energy and other costs due to increased prices. In particular, our business activities and infrastructure consume a large amount of electricity, and we estimate that more than 90% of the carbon dioxide emitted through our business activities results from electricity consumption. While we have transitioned to 100% renewable energy at our major consolidated group and achieved carbon neutrality, or net-zero greenhouse gas emissions group-wide in 2023, we may be required to incur significant costs to meet further environmental goals, and despite our efforts and expenditures we may be unable to meet them at all, depending particularly on the availability of renewable energy in Japan or other places where we operate. Moreover, if climate change risk exceeds our expectations or we are delayed or unable to achieve our planned shift to renewable energy, we may suffer from the damage to our credibility and reputation, as well as losing users, business partners and business opportunities.

We may be subject to legal proceedings and litigation, which could be costly and could materially and adversely affect our brands, reputation, business, financial condition and results of operations.

We are subject to litigation and other legal proceedings in the ordinary course of our business. See "Business—Legal Proceedings." In particular, we currently are and may in the future be subject to, among other things, claims, allegations, lawsuits and regulatory investigations regarding intellectual property, the proper handling, usage and protection of personal information, data security, false or deceptive advertising, delivery of services, product liability, losses incurred in connection with the use of our services and other matters from users of our services, competitors, regulators and other parties. Due to the evolving nature of the Internet services industry, we may also become exposed to the risk of legal proceedings as the business, legal and regulatory environment changes in our operating markets. While we seek to prevent violation of laws and regulations and misconduct by strengthening our internal control systems and establishing and administering internal rules and policies, these efforts may not be sufficient to eliminate such compliance risks, including those caused by our business partners. In addition, the risk of intentional or negligent violations of laws or regulations or of other unlawful acts by us or our employees is heightened in areas where we are seeking rapid expansion. Legal proceedings can be expensive and disruptive to our normal business operations regardless of the merit of the underlying claims. A determination adverse to us in any legal proceedings could result in significant costs, penalties or fines or require us to pay royalty fees, modify our services and products in order to provide non-infringing substitutes or cease the use of certain services, products or features altogether, which could materially and adversely affect our brands, reputation, business, financial condition and results of operations.

Defects in goods that we sell directly to customers or excess inventory may harm our business.

We sell goods directly to consumers mainly through our *Rakuten 24*, *Rakuten Books*, *Rakuten Kobo*, *Rakuten Fashion* and *Rakuten Mobile* businesses as well as through *Rakuten Bic*, a joint venture with Bic Camera Inc., and *Rakuten Mart* (formerly known as *Rakuten Seiyu Netsuper*), in partnership with Seiyu Co., Ltd. On December 20, 2023, we announced our plan to make *Rakuten Seiyu Netsuper* our wholly-owned subsidiary; this change has since been completed. See "Business—Our Business Operations—Internet Services Segment—Other Internet Services Businesses—Other E-Commerce and Internet Services Businesses—*Rakuten Mart (formerly known as Rakuten Seiyu Netsuper*." In connection with our direct sales, we are directly liable for the delivery, quality and content of goods. If any of our products are defective, we could be subject to legal proceedings brought by customers or regulators, incur costs resulting from product recalls or product liability claims, suffer reputational harm or otherwise suffer harm to our business. In addition, if demand for our products decreases or product prices decline due to technological innovation or increased competition, we may be required to recognize losses incurred by *Rakuten Kobo* and further recognize impairment charges for products, parts and materials held in inventory, which would negatively affect our results of operations. For example, if sales of our *Rakuten Kobo* e-readers do not increase as a result of technological and other features that fail to respond to consumer needs, pricing that is not competitive with competing devices or otherwise, the results of operations of our e-book business could be adversely affected.

Our businesses are subject to various laws and regulations.

The businesses that we currently operate, as well as those that we may operate in the future, encompass many business areas and regions and are consequently subject to a variety of laws and regulations. In particular, our financial services businesses operate in highly regulated industries. See "—Risks Relating to Our FinTech Segment—Our financial services businesses are subject to extensive regulation, any amendments to which may further increase our costs of doing business." We are also subject to a number of other laws and regulations, including regulations relating to telecommunications licenses, consumer protection, privacy and protection of personal information, fairness in commercial dealings with our customers, telecommunications, private lodgings in connection with our vacation rental business, payment services in connection with *Rakuten Edy*, *Rakuten Pay* and *Rakuten Wallet*, taxation including anti-base erosion rules such as local implementations of OECD Pillar Two rules and other areas. The laws and regulations that apply to our various businesses are complex, and even an inadvertent failure to comply with them could result in fines, penalties, loss of permission to operate some of our businesses, suspension of operations, litigation and other legal proceedings. Furthermore, future changes in such laws or regulations or entry into new regulated industries could result in additional compliance costs and increase the risk that we could fail to comply with applicable requirements. Any failure to comply with laws and regulations could harm our reputation or result in any administrative dispositions by regulatory authorities or monetary losses or damages and could materially and adversely affect our business, financial condition and results of operations.

We are required to register and obtain approvals or licenses in order to conduct certain of our businesses, and certain of our businesses are subject to supervision and monitoring by authorities in Japan and other countries. In particular, the Telecommunications Business Act of Japan (Act No. 86 of 1984, as amended) (the "TBA"), and the Radio Act of Japan (Act No. 131 of 1950, as amended) (the "Radio Act"), which govern our telecommunications businesses in our Mobile segment, the relevant guidelines under each Act formulated by the MIC and the regimes that govern the spectrum allocated to us by the MIC govern the way we are able to conduct our mobile telecommunications business, including the services we provide and the ways in which we market and price these services. For example, our MNO business is based on approval from the MIC to operate networks on various frequency bands. See "—Risks Relating to Our Mobile Segment—We may be unable to implement the "platinum band" allocated to us successfully or in a cost effective manner, or to receive additional allocations of spectrum."

Due to the significant size and market share of certain of our businesses, we may also become subject to restrictions on planned business acquisitions under antitrust and competition law. In particular, regulatory authorities in Japan have at times expressed competition-related concerns with respect to Internet platforms that benefit from network effects, economies of scale and increased bargaining power, including *Rakuten Ichiba*. In February 2020, the Japan Fair Trade Commission, or JFTC, commenced a probe to investigate our free shipping service for *Rakuten Ichiba*, although the JFTC withdrew its suspension order in March 2020. There can be no assurance, however, that we will not encounter competition-related issues again in the future, and any such matters, even if subsequently withdrawn or resolved, may adversely affect our reputation and business.

With respect to privacy, there has been a trend in recent years towards additional privacy protection and limitations on methods that can be used to track user activity on the Internet, including third-party cookies. This trend may affect our business because one of the primary attributes of the Rakuten Ecosystem is that users are able to use a single Rakuten ID to access many of our services across different industries. To the extent that laws and regulations inhibit our ability to track users' activities across our various services, including general Internet activities, our abilities to leverage the interconnectedness and synergies of our ecosystem and to effectively deliver targeted advertisements may be diminished, which may adversely affect our businesses.

For more information regarding the laws and regulations applicable to our businesses, see "Supervision and Regulation."

Errors or misconduct by our employees or third parties could subject us to financial or reputational harm.

We are subject to the risk of operational errors, misconduct or fraud, including by our employees or third-party vendors, suppliers or other business partners. Our measures to reduce and prevent such errors, misconduct or fraud, including the establishment of compliance policies and procedures, internal and external audits, training programs and automation and digitalization of our operations may not be fully effective, and particularly where errors, misconduct or fraud go unnoticed or are the result of concerted action by multiple actors, it may be difficult to evaluate fully their effect. Significant errors, misconduct or fraud could lead to financial losses, subject us to legal or regulatory action or liability, harm our reputation or otherwise materially and adversely affect our business, financial condition and results of operations. This risk may be heightened in areas where we are expanding our business. For example, in 2022, an internal investigation conducted by *Rakuten Mobile* revealed that a former employee and several business partners conspired to illegally profit by padding expenses and making false reports to us over several years, and we recorded ¥11,996 million in estimated expenses as a result of this fraud for the year ended December 31, 2022, consisting of write-downs of certain assets that we acquired at a fraudulently inflated price. Moreover, if further errors, misconduct or fraud are identified, they may cause us to conclude that our consolidated financial statements misstate our financial condition or results of operations and may call into question the effectiveness of our internal controls over financial reporting.

The rapidly evolving development and application of Artificial Intelligence (AI) technologies could materially affect our business.

Artificial intelligence technologies have taken on increasing importance, both to society at large and to our existing and potential future businesses. In particular, on February 27, 2024, we announced a proposed partial amendment to our Articles of Incorporation, which included the addition of a business purpose related to AI in consideration of our future business development and other factors. This partial amendment was approved by our annual general meeting of shareholders held on March 28, 2024. Moreover, we believe that our future success and competitive position depend in part on our ability to keep pace with the evolving field of AI and to

continuously enhance the intelligence, functionality and capabilities of our AI-based services. However, there are inherent risks associated with the development and application of AI, such as the potential for unforeseen technical challenges, higher than expected development costs or longer than expected development timelines. There is also the risk that the AI technologies developed may not perform as expected (including that, where we use such technologies in decision-making, the resulting decisions are incorrect), may not be adopted by users or may become obsolete due to rapid technological advancements. Furthermore, the regulatory environment around AI and data usage is rapidly evolving. New regulations concerning data privacy, ethical use of AI and other related issues could impose additional requirements on our operations. Compliance with these regulations could result in increased costs and delays in rolling out potential new services, inhibiting the group's ability to maintain or expand the use of AI technologies, potentially putting us at a competitive disadvantage.

Further, the increasing integration of AI technologies into our services and those of our competitors and potential widespread application of AI presents inherent risks such as the leakage of personal information, data falsification, intellectual property infringement, spread of false information and encouragement of unintentional bias, among many others. Despite our establishment of a compliance system and continuous review of guidelines for the use of AI, there is no guarantee that these systems and guidelines will be effective or that we can respond to the rapidly evolving technological and social circumstances as needed. If these risks materialize, we may suffer reputational harm such as loss of trust and social credibility from our users and business partners, incur substantial costs or face lawsuits or investigations and increased scrutiny from regulatory authorities, which could adversely affect our business and results of operations.

Risks Relating to Our Internet Services Segment

We may not be successful in attracting and retaining merchants and maintaining and expanding the user base for our e-commerce services.

The success of our e-commerce businesses depends on our ability to maintain the attractiveness of our platform to merchants and users and expand our user base and generate traffic to *Rakuten Ichiba* and similar services, as well as volume of purchases of goods and services through our websites. A significant portion of the revenue that we derive from *Rakuten Ichiba* and related services is derived from commissions from merchants that are calculated as a percentage of the total value of sales transactions completed through our system. In countries such as Japan, where our services have been available for some time, acquiring new users may become more difficult than it has been in the past due to the maturity of the Internet service industry and the presence of large competitors with established user bases, as well as the success we have already had in growing our user base. In order to expand this business, we must continue to appeal to and attract users, both new users and, particularly as new user growth has slowed, increasing the number of active users as well as GMS per user. This includes current or potential users who may shop online using the services of our competitors or may be unaccustomed to online shopping entirely. Our e-commerce businesses also depend on our ability to maintain an active merchant community by attracting and retaining merchants offering products and services that respond to the needs of our users. Moreover, due in part to the existing scale of *Rakuten Ichiba*, the rate of increases in the number of merchants have slowed down in recent years. We are now focused on increasing GMS per merchant; however, we may not be successful in doing so or in maintaining our merchant base. For example, merchants could be dissatisfied with the fixed monthly fees we charge to maintain their stores, which we increased in June 2024, or fees we charge for listing their products on our marketplace, and they may choose to leave our services or reduce their use of our services due to our inability to maintain a large and active user base, lack of support or development tools, more attractive terms offered by our competitors' platforms, adverse changes in tax treatment for *Rakuten Points* or for other reasons, and the business and results of operations of e-commerce services could be adversely affected. In addition, our results of operations could be adversely affected if we incur higher costs to acquire or retain customers and merchants in the future. Competing e-commerce platforms, including websites operated by merchants with whom we have relationships, may provide a more convenient and comprehensive online customer experience. Merchants may also establish exclusive relationships with our competitors. If our merchants and customers bypass our e-commerce offerings and related services and contact competing providers or merchants directly, our revenue could decline.

Fraudulent activities on our websites and disputes relating to the use of our websites and services may harm our business.

We periodically receive complaints from customers who have not received the goods that they purchased through *Rakuten Ichiba* or who have received poor quality or defective merchandise or whose merchandise was not delivered on time. We also receive complaints from merchants who have not received payment for the goods that a user contracted to purchase. Non-payment may occur because of

miscommunication, because a user has changed his or her mind and decided not to honor the contract to purchase the item, or because the user contracted or bid on the item maliciously, in order to harm either the seller or us.

While we can suspend the accounts of merchants, users, sellers and buyers who fail to fulfill their payment or delivery obligations to other users, we do not have the ability to require merchants, users, sellers and buyers to make payment or deliver goods. We expect to continue to receive communications from users requesting reimbursement. Our contracts with individual merchants, customers, sellers and buyers clarify that all disputes regarding purchases and payments are the responsibility of the parties involved in a transaction and not the responsibility of Rakuten Group, Inc., but we may become involved in disputes between our merchants and users as a platform operator. While we do not accept legal responsibility for any user claims against merchants or other users of our websites, we do reimburse users for the cost of products ordered from merchants that do not arrive, are damaged or are different from what was ordered under our "Rakuten Anshin Shopping Service," up to five times a year and up to a total of ¥300,000 per reimbursement request as long as the users remain Rakuten members. We also offer a similar service that provides reimbursement for counterfeit products ordered from merchants, which currently covers products from over 1,000 brands. We have also implemented a delivery delay compensation program for our newly launched Saikyo Delivery service, whereby users of this premium delivery service can receive 5% of the total purchase amount (including tax) in the form of *Rakuten Points* as compensation if their products were not delivered by the promised date. In addition, affected merchants, customers, sellers or buyers may complain to regulatory agencies that could take action against us, including imposing fines, seeking injunctions or introducing new guidelines or regulations regarding Internet commerce. Negative publicity and sentiment among merchants, customers, sellers or buyers generated as a result of fraudulent or deceptive conduct by other users of our services could damage our reputation, reduce our ability to attract new, and retain existing, merchants, customers, sellers and buyers and diminish the value of our brand names.

In addition, we have received in the past, and we anticipate receiving in the future, communications alleging that certain items listed or sold through our services by our merchants and sellers are pirated or counterfeit items, infringe third-party copyrights, trademarks, trade names or other intellectual property rights or are otherwise illegal or improper items. Although we work to eliminate listings offering counterfeit, pirated or infringing items on our websites, rights owners may view our efforts as insufficient. Content owners and other intellectual property rights owners have been active in defending their rights against online companies, including us. In addition, we expect that these types of claims may increase as our websites gain prominence in markets outside of Japan, where the laws may be unsettled or less favorable to us. Such claims could be costly for us, result in damage awards or increased costs of doing business through adverse judgment or settlement, require us to change our business practices in expensive ways or otherwise harm our business.

If our merchants are unable to provide competitive, high-quality products and services, our business, financial condition and results of operations could be adversely affected.

Our e-commerce platforms, including *Rakuten Ichiba*, primarily function to connect and facilitate transactions between businesses and consumers. As a result, the success of our e-commerce platforms depends on the ability of our merchants to provide their customers with high-quality products at attractive prices, quick delivery times and appropriate customer service. We have no direct control over our merchants and their individual business practices. Users may choose to make purchases through the proprietary online stores of retailers and other e-commerce sites rather than with our merchants if the online stores of other retailers or other e-commerce sites offer lower prices, a wider selection of products, faster delivery speeds, more attractive loyalty programs, better customer service or a more user-friendly or convenient website interface. In particular, larger retailers such as Amazon Japan may have their own logistics operations that can significantly shorten delivery times and lower delivery costs compared with what merchants selling through *Rakuten Ichiba* are able to provide (see "—Our logistics business for products sold through *Rakuten Ichiba* is subject to various risks.") and may provide other operational advantages, such as customer support centers with longer operating hours, that may not be provided by our merchants.

Also, in recent years, an increasing number of users have used *Rakuten Ichiba* to make donations through the Japanese government's "hometown tax" (*furusato nouzei*) program, and receive gifts in return for such donations. Through this system, in a given year, users donate to prefectural or municipal governments other than their own. In return for such donation, the user receives a gift of products, goods or services produced in such prefecture or municipality (the value of the gift is subject to a limit based on the size of the donation), as well as, up to prescribed amounts, a reduction in income and residence taxes based on the size of the donation. Because the applicable tax reductions are calculated annually, ordinarily, demand for such donations peaks in the

fourth quarter of every year. However, amendments to the relevant rules came into effect in October 2023 and changed the calculation of the "value" of return gifts (specifically, a requirement to include certain administrative expenses to the relevant prefectural or municipal government for running the program in the value of the return gift) which had the effect of increasing the donation amount required to receive the same gift, as well as changing the standards for determining whether the gift was produced "locally" in the relevant prefecture or municipality. This caused an increase in demand in the third quarter of 2023 and a decrease in the fourth quarter of 2023, which has had a negative effect on revenue and earnings from *Rakuten Ichiba* in such quarter. In June 2024, further changes to the "hometown tax" program have been announced where local governments are banned from collecting hometown tax donations through intermediary websites that offer reward points. The new rules are scheduled to come into effect from October 2025. Since one of the major selling points of making donations via *Rakuten Ichiba* as opposed to other competitor sites is that users can earn *Rakuten Points*, which can be widely used within the many services under our Rakuten Ecosystem, the new rules may materially and adversely affect the attractiveness of our "hometown tax" program, and revenue attributable to it, moving forward.

Our online travel business is subject to a number of risks, including adverse changes to relationships with travel and accommodation providers and disruptions in the travel industry.

Our online travel service *Rakuten Travel* provides a platform for customers to connect with travel and accommodation providers, and our travel business is highly influenced by changes in the domestic and worldwide travel industry. Travel expenditures are sensitive to business and personal discretionary spending levels and tend to decline during general economic downturns as well as safety concerns with travel in certain regions or airline travel generally. For example, incidents of terrorism, geopolitical conflicts, airline accidents and health epidemics have adversely affected demand for travel services in the past. Any future decrease in demand due to one or more of these types of events, depending on its scope and duration, could significantly and adversely impact our travel business, financial condition and results of operations over the short and long term. In particular, the COVID-19 pandemic resulted in a significant reduction in both domestic and international travel due to border closures, lockdowns and related restrictions on ordinary business activities as well as general customer sentiment against traveling due to health concerns. National and local programs to promote travel following the pandemic contributed to growth in transaction volume on *Rakuten Travel* in 2022 and 2023, but such programs largely ended by July 2023 (and reservations made thereunder were completed by September 2023). The lack of such programs negatively affected demand in the three-month period ended December 31, 2023, as compared to prior periods, when such programs were in effect.

In addition to general consumer travel demand, the success of *Rakuten Travel* depends on its relationships with travel and accommodation providers as well as global distribution system partners. Adverse changes in existing relationships, or *Rakuten Travel*'s inability to enter into new arrangements with these parties on favorable terms, or at all, could reduce the amount, quality and breadth of attractively priced travel products and services that *Rakuten Travel* is able to offer, which could adversely affect its business, financial condition and results of operations. Travel and accommodation providers are increasingly seeking to lower their travel distribution costs by promoting direct online bookings through their own websites. In some cases, providers' direct channels offer advantages to consumers, such as loyalty programs or lower transaction fees. In addition, travel and accommodation providers may choose not to make some or all of their travel products and services available through *Rakuten Travel* distribution channels due to travel industry trends. To the extent that consumers increase their travel purchases through travel and accommodation providers' proprietary websites or if travel and accommodation providers choose not to make some or all of their products and services available to *Rakuten Travel* due to travel industry trends, *Rakuten Travel*'s business may suffer.

Our logistics business for products sold through Rakuten Ichiba is subject to various risks.

Although each merchant on *Rakuten Ichiba* is generally responsible for the shipment and delivery of its products, we have established logistics agency services through JP Rakuten Logistics, a joint venture with Japan Post Co., to assist merchants with order, shipment and delivery logistics. The logistics industry in Japan is subject to ongoing labor shortages, particularly for delivery vehicle drivers, and our cost competitiveness could be affected if outsourcing costs to logistics companies increase as a result of such shortages. As we plan to continue to expand our logistics-related service offerings, JP Rakuten Logistics may also face difficulties related to finding and leasing suitable real estate at attractive terms, opening and operating new fulfillment centers and creating and maintaining relationships with various external service providers. When planning new fulfillment centers, JP Rakuten Logistics makes upfront investments in capacity based on anticipated order volumes. If volumes are less than expected or the costs for fuel, raw materials and labor increase unexpectedly, it may face difficulties recovering its initial investment and operating the facility at a profit and it may need to incur further costs to relocate or modify a facility, which may adversely affect our results of operations.

In addition, we compete for merchants and users with other e-commerce businesses such as Amazon Japan, which is directly responsible for the delivery and shipment of products sold by many of the merchants on its platform and, based on contracts and other relationships with major shipping and logistics companies in Japan, offers discounted or free delivery in certain cases. If we, whether directly or through JP Rakuten Logistics, cannot operate and provide efficient distribution services, or if our competitors provide more attractive logistics services for merchants, we may not be able to maintain or enhance the competitiveness of our *Rakuten Ichiba* marketplace, which could have an adverse effect on our financial condition and results of operations. Furthermore, any failure to operate and provide efficient distribution services, whether for excess demand for deliveries, insufficient internal or third party distribution capabilities, or otherwise, could lead to customer complaints and dissatisfaction, damage our reputation, impair our ability to take advantage of increased demand for e-commerce services and have an adverse effect on our business, financial condition and results of operations.

As part of our logistics business, our group companies make use of motor vehicles. Although we have established safety measures, any serious traffic accidents that may occur involving our usage of motor vehicles may damage our reputation and have an adverse effect on our business and results of operations. Any such accidents could also potentially result in the suspension of business, our usage of motor vehicles, license revocation due to Japan's traffic violation point system or other administrative penalties, which could result in interruptions or discontinuance of logistics business operations.

Our digital content businesses are subject to various risks.

We engage in a number of digital content businesses, including our e-book business, our video streaming services and our music streaming services. Many of our digital content businesses are early-stage businesses or businesses operating in emerging industries that are currently operating at losses. In addition, procuring digital content for our businesses is subject to various costs, including costs related to format conversion as well as licensing fees and advance payments to licensors where applicable. If we fail to monetize our digital content businesses by generating sufficient revenue from sales of such digital content, or the cost of acquiring the right to use overseas content increases due to currency rate fluctuations, we could continue to incur losses, which would adversely affect our results of operations. In particular, we may face challenges developing and expanding our digital content businesses in more mature markets with established competitors, such as the United States. *Rakuten TV* produces original content for our video streaming services, including films and documentaries, certain of which are also concurrently released in theaters, but the market for original video content is highly competitive and there can be no assurance that our original content will reach a sufficient audience or secure secondary usage fees to recoup production costs.

We depend on licensed content from third parties for substantially all of the content in our digital content businesses. For example, in our e-book business, we depend on licensed content from publishers to sell and distribute on our e-book platform. In our video and music streaming services, we similarly enter into licenses for video and music content. If we are unable to secure licensed content that is popular with our users under acceptable terms, or if competing services are more successful at providing a larger and more attractive selection of content, our competitiveness could be adversely affected and the number of active users on, and revenue from, our service could decline. In addition, we may be subject to legal claims for infringement of intellectual property rights. We compete to attract users to our digital content businesses, and if we are unable to provide an attractive user interface and features or fast and reliable content delivery, our active user base could decline.

Our professional sports business may not be profitable and may not contribute to our other businesses.

Our professional sports business consists principally of the Tohoku Rakuten Golden Eagles, the Japanese professional baseball team we own and manage, and Vissel Kobe, the Japanese professional soccer club we own and manage. The profitability of these businesses is subject to fluctuation, and synergies with other businesses and the Rakuten Ecosystem in general, are among the main benefits we seek to gain from them. The principal sources of revenue for our professional sports business are ticket sales and revenue from sponsorship. These sources of revenue are affected by the general popularity of professional baseball and soccer in Japan and of the Pacific League, of which the Tohoku Rakuten Golden Eagles are a member, and the J1 League, of which Vissel Kobe is a member, and, more specifically, by the popularity of the Tohoku Rakuten Golden Eagles and Vissel Kobe, which in turn depends in large part on each team's success on the field. In order to strengthen the teams, we may need to pay more in recruiting costs and salaries to team management and players than we did in prior seasons, which could have a material adverse effect on the results of operations in our professional sports business. We also expect that the popularity of the Tohoku Rakuten Golden Eagles and Vissel Kobe will contribute to our other businesses, such as our e-commerce, banking and credit card businesses, through an

increase in awareness of the Rakuten brand, leading to an increase in merchants, customers, accountholders and cardholders. Such benefits may not be realized, however, if the Tohoku Rakuten Golden Eagles or Vissel Kobe are not successful, and the costs we incur to support them may not be recovered. Additionally, the COVID-19 pandemic and related restrictions, such as social distancing measures, as well as general reluctance by consumers to attend large-scale events, resulted in a significant decrease in attendees for sporting events, negatively affecting our professional sports business. To the extent that social distancing restrictions or general societal sentiment against large-scale events return, our business and results of operations may be adversely affected.

Our mobile messaging and VoIP communications business faces significant challenges.

Our mobile messaging and voice over IP, or VoIP, services are provided by our subsidiary Viber Media S.a.r.l. and its subsidiaries and are widely deployed in Japan, Europe and other countries. There are a number of major competing services that have achieved widespread use in certain markets, such as Skype, LINE, Facebook Messenger, WeChat, Kakao Talk and WhatsApp. If we fail to maintain our user base due to intense competition or our failure to provide competitive features and a seamless user experience, our active user base could decline, causing declines in this business. In addition, the expansion of our MNO business may result in a decrease of active users for *Rakuten Viber* if users prefer to use our MNO service instead of the VoIP services provided by *Rakuten Viber*. In response to the situation in Ukraine, in February 2022, we removed advertising from *Rakuten Viber* for users in Ukraine and Russia which reduced the platform's ability to generate advertising revenue in that region. The situation in Ukraine is constantly changing and unpredictable, and we may suffer from a further decline in earnings or adverse effects, such as the failure to ensure the safety of our employees working in affected areas. Any decline in our user base or advertising revenue could materially affect our online messaging and communications business because the business model necessarily depends on building user communities that actively use our service and recommend it to new users. In addition, our messaging and communications business currently operates at a loss, and our results of operations will continue to be affected to the extent that we cannot achieve profitability for this business.

Risks Relating to Our FinTech Segment

We are exposed to credit risk in connection with our FinTech businesses.

Our FinTech businesses involve consumer credit and commercial lending activities, insurance services and securities and foreign exchange brokerage, as well as investments in marketable debt securities. These activities expose us to the risk that the creditworthiness of our borrowers may deteriorate and that our borrowers may be unable to make principal or interest payments on their loans or debt securities. In particular, we are exposed to credit risk in the following business areas:

- *Rakuten Card*. In our credit card business operated through *Rakuten Card*, we are exposed to credit risk in connection with credit we extend to our cardholders. We have established an allowance for doubtful accounts in connection with loans in our credit card business based on our evaluation of borrowers' creditworthiness, our historical loan loss experience and other factors. As of December 31, 2023, our allowance for doubtful accounts was 2.5% as a percentage of our total balance of loan receivables in our credit card business. We are also subject to the risk of fraudulent transactions, which may adversely affect our business if they exceed anticipated levels.

- *Rakuten Bank*. In our digital banking business operated through *Rakuten Bank*, we are exposed to credit risk in connection with commercial lending to retail borrowers as well as business borrowers. We have established an allowance for doubtful accounts in connection with loans in our banking business based on our evaluation of borrowers' creditworthiness, our historical loan loss experience, the value of collateral and other factors. We are also exposed to credit risk in connection with our investment in Japanese and foreign bonds including both government bonds and corporate bonds, and securitized credit card receivables of *Rakuten Card* and securitizations of future mobile subscriber fees, handset installment payments and handset inventory of *Rakuten Mobile* as part of the investment portfolio of *Rakuten Bank*. Due to the fully digitalized nature of *Rakuten Bank*, we are also subject to the risk of unexpectedly high levels of fund outflows in the event of a deterioration in economic conditions.

- *Rakuten Securities*. *Rakuten Securities* conducts margin lending in connection with its securities brokerage and foreign exchange businesses. We are subject to credit risk from our borrowers to the extent that the value of the securities held as collateral is not sufficient to cover the outstanding

principal or we are unable to sell collateral at a favorable price or at all. As a result, fluctuations in trading prices of securities affects our exposure to credit risk in connection with margin lending. We face similar credit risks in extending credit to customers of our foreign exchange trading service, as fluctuations in currency exchange rates could affect the value of the currencies traded and the cash collateral held by us.

- *Insurance*. In our *Rakuten Life Insurance* and *Rakuten General Insurance* businesses, we are exposed to credit risk in connection with our investment in corporate and other bonds as part of the investment portfolios of *Rakuten Life Insurance* and *Rakuten General Insurance*.

There is no assurance that our allowance for doubtful accounts will be an accurate estimate of our actual losses. For example, negative changes in our borrowers' payment abilities, the economic environment or other factors could require us to provide for additional allowances for doubtful accounts and record credit losses. In addition, the regulatory standards or guidance on establishing reserve for possible loan losses may also change, causing us to change some of the evaluations used in determining allowances and providing for additional reserve for possible loan losses. Additionally, our group companies regularly enter into various types of hedging transactions, such as interest rate swaps, currency swaps and other derivatives, and we are subject to the risk that our counterparties to such transactions may become insolvent and prevent us from obtaining the benefit of such transactions. For a discussion of our allowance policy, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Financial Condition and Liquidity."

Changes in interest rates may significantly affect the profitability of our FinTech businesses.

We hold a significant amount of interest-earning assets and interest-bearing liabilities in connection with our financial services businesses, and, as a result, we are exposed to changes in market interest rates. We are primarily exposed to market interest rates in Japan, which are at historically low levels due primarily to monetary policies implemented by the BOJ. However, on March 19, 2024, the BOJ stated that its theretofore effective policy framework of the quantitative and qualitative monetary easing with yield curve control and its negative interest rate policy had fulfilled their roles and set the uncollateralized overnight call rate to around 0 to 0.1 percent. The BOJ also announced, among other things, the gradual reduction of the amount of purchases of commercial paper and corporate bonds and the eventual discontinuation of such purchases in about one year from the date of the announcement. Subsequently, on July 31, 2024, the BOJ further raised the uncollateralized overnight call rate to around 0.25%. The BOJ also announced, among other things, that it will reduce by ¥400 billion per quarter its monthly purchase of long-term Japanese government bonds, such that the amount of purchase per quarter will be approximately ¥3 trillion for the first quarter of calendar year 2026. While increases in market interest rates have been relatively modest since the date of this announcement, if the BOJ pursues further increases in its policy rates, interest rates in Japan could increase further, potentially significantly, which could affect our results of operations and financial condition.

In particular, the following businesses are affected by fluctuations in market interest rates:

- *Rakuten Card*. We rely in part on borrowings from financial institutions in addition to securitization transactions with *Rakuten Bank* to fund our credit card business. If interest rates on our borrowings or the funding cost of our securitization transactions increase and we are unable to increase interest rates applicable to our loans to the same degree, the profitability of our credit card business could decrease.

- *Rakuten Bank*. In our banking business, our primary source of income is interest income from our loans and our investment portfolio, and our primary source of funding is interest-bearing deposits. If market interest rates increase, interest rates applicable to our deposits could increase to a greater degree than rates earned on our loans and investments. If the spread between our interest-bearing liabilities and interest-earning assets decreases, the profitability of our banking business would be adversely affected. In addition, if interest rates increase, the carrying amount of debt securities carried at fair value could decrease, which would directly impact our financial condition and results of operations.

- *Insurance*. In our *Rakuten Life Insurance* and *Rakuten General Insurance* businesses, we hold debt securities as part of our investment portfolios. If market interest rates increase, the carrying amount of debt securities carried at fair value could decrease, which would directly impact our financial condition and results of operations. In addition, decreases in interest rates could negatively affect the amount of interest income from our debt securities or our ability to replace them as they mature. As the relative sensitivities of our assets and liabilities to changes in interest rates may differ, our financial condition could also be affected depending on the composition of our assets and liabilities.

Our financial services businesses are subject to extensive regulation, any amendments to which may further increase our costs of doing business.

Our subsidiaries operating financial services businesses, including *Rakuten Card, Rakuten Bank, Rakuten Securities, Rakuten Payment, Rakuten Edy, Rakuten Life Insurance, Rakuten General Insurance, Rakuten Wallet* and certain other subsidiaries, are subject to substantial regulation and supervision. Such regulatory requirements include the following:

Rakuten Card

Rakuten Card is registered as a moneylender and supervised by the Financial Services Agency of Japan (the "FSA), pursuant to the Money Lending Business Act of Japan (Act No. 32 of 1983, as amended) (the "Money Lending Business Act"), and is also registered as a mediator of installment sales transactions and supervised by the METI.

Rakuten Bank

Rakuten Bank is a licensed bank and also subject to regulation by the FSA under the Banking Act.

Rakuten Bank is subject to capital adequacy rules and a variety of other banking regulations, such as restrictions on concentrated credit exposures, restrictions on its business scope and requirements to conduct transactions with specified related parties at an "arm's length." The FSA and other regulatory authorities have the authority to conduct regular and special inspections of *Rakuten Bank*'s operations generally and the condition of our assets at any time, as a result of which it may be subject to regulatory actions such as instructions, requests and improvement orders. *Rakuten Bank* is also a member of and subject to the rules of various self-regulatory organizations. A failure by *Rakuten Bank* to comply with the Banking Act, the terms of its banking license or applicable consumer protection laws and regulations could lead to any of the following:

- loss of our licenses and approvals to engage in our businesses;
- governmental investigations and enforcement actions, such as administrative penalties, guidance, on-site inspections, hearings and on-site or off-site document requests;
- claims from or litigation with customers or business partners, including due to breach of contractual terms arising from such failure;
- inability to raise capital; or
- inability to execute on its business strategy.

Any of these outcomes could materially and adversely affect *Rakuten Bank* and our business and financial condition, liquidity and results of operations. We are also subject to various other forms of regulation that may expose us to sanctions and other regulatory intervention in our business. See "Supervision and Regulation—Japanese Laws and Regulations—FinTech Segment—Internet Banking Business" for additional information regarding our regulators and the laws that apply to *Rakuten Bank*.

In connection with capital adequacy regulation, *Rakuten Bank* is subject to the requirement that it maintain risk-adjusted capital adequacy ratios above the levels specified in the capital adequacy standards stipulated by the FSA, based on Basel III. As a Japanese bank that does not have certain international operations, *Rakuten Bank* is subject to the domestic standard for capital adequacy. As of September 30, 2024, *Rakuten Bank*'s consolidated risk-adjusted capital adequacy ratio was 11.4% compared to the minimum risk-adjusted consolidated capital adequacy ratio of 4.0%. *Rakuten Bank* may be unable to continue to satisfy the capital adequacy requirements if its core capital decreases or risk-weighted assets increase for any reason, including as a result of the realization of any of the risks described elsewhere in this "Risk Factors" section, or if capital adequacy standards are amended to be more stringent. If *Rakuten Bank*'s capital adequacy ratios fall below required limits, the FSA could require *Rakuten Bank* to take corrective actions, including, depending upon the level of deficiency, submission of an improvement plan or suspension of a portion of its business operations. *Rakuten Bank* may also need to alter its business strategy or operations if its capital adequacy ratios decline to unacceptable levels. We are also subject to certain regulatory restrictions as a principal shareholder of *Rakuten Bank*, under which the FSA may request the submission of reports or materials from, or may conduct inspections of, us in certain circumstances, and may order us to take such measures as the FSA deems necessary under certain limited circumstances. For a discussion of our capital adequacy ratios and the related regulatory standards, see "Supervision and Regulation" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Capital Adequacy of *Rakuten Bank*." Changes in the FSA's regulatory framework

may also affect intercompany transactions between *Rakuten Bank* and other Rakuten group companies, such as securitized credit card receivables of *Rakuten Card* and securitizations of future mobile subscriber fees, handset installment payments and handset inventory of *Rakuten Mobile*.

Rakuten Securities

Rakuten Securities is a registered financial instruments business operator and subject to extensive regulation by the FSA and self-regulatory organizations. Our online brokerage operations must comply with, among other rules, capital adequacy, customer protection and market conduct requirements. Securities regulatory agencies regularly review the operations of online brokerage companies, including us. We are also subject to certain regulatory restrictions as a principal shareholder of *Rakuten Securities*, under which the FSA may request the submission of reports or materials from, or may conduct inspections of, us in certain circumstances, and may order us to take such measures as the FSA deems necessary, including resigning from our position as a principal shareholder of *Rakuten Securities*, under certain limited circumstances. If we violate applicable rules and regulations, the regulatory authorities that oversee our activities may exercise their broad powers to issue an order canceling our registration or authorization, suspending or requiring changes in the manner of our business or removing our directors or audit and supervisory board members from their positions. In addition, the Japanese government in the future may adopt new regulations that adversely affect our online securities business by imposing additional costs, exposing us to increased liability or additional supervision or monitoring. See "Supervision and Regulation—Japanese Laws and Regulations—FinTech Segment—Online Securities and Commodity Derivatives Trading Business and Crypto Asset Margin Trading Business."

Under the FIEA and related regulations, *Rakuten Securities* is required to meet strict capital adequacy requirements. If *Rakuten Securities* fails to maintain the required level of regulatory capital, the FSA may order changes in its operations or the deposit of assets, temporary suspension of its business or revocation of its registration as a securities company. As of September 30, 2024, *Rakuten Securities* had a regulatory capital adequacy ratio of 325.6%, which was above the required minimum ratio of 120%. Continued rapid growth in the aggregate principal amount of margin transaction assets held in relation to the margin loans *Rakuten Securities* extends and growth in other areas of its operations may create a need for additional capital in order to keep its capital adequacy ratio above levels mandated by regulations. *Rakuten Securities* may not be able to obtain additional regulatory capital on favorable terms or at all. If it fails to obtain additional capital, it may need to limit the margin trading of its customers. It may also need to limit the expansion of its foreign exchange, securities lending and other businesses requiring minimum capital, which could adversely affect our earnings and growth potential.

Payments Businesses

The Payment Services Act of Japan (Act No. 59 of 2009, as amended) (the "Payment Services Act"), requires entities that engage in business activities involving advance payments from customers using prepaid payment instruments to set aside for such customers amounts covering at least 50% of the total amount of the unused amounts or credits represented by such instruments issued as of the end of either the first or third quarter of any year (if such total amount is more than ¥10 million), either by making a deposit or by entering into guarantee or trust agreements. *Rakuten Bank*, *Rakuten Edy* and *Rakuten Card* are registered with the FSA as issuers of prepaid payment instruments that can be used to purchase goods or services that are offered by third parties. The FSA is authorized to issue a business improvement order or business suspension order, or cancel our registration and we may be subject to criminal sanctions if we fail to comply with the regulations above.

Rakuten Life Insurance and Rakuten General Insurance

Rakuten Life Insurance and *Rakuten General Insurance* are licensed insurance companies and subject to comprehensive regulation by the FSA under the Insurance Business Act of Japan (Act No. 105 of 1995, as amended) (the "Insurance Business Act"), and related regulations. The primary purpose of the Insurance Business Act and related regulations is to protect policyholders, not shareholders or noteholders. The Insurance Business Act specifies the types of businesses in which insurance companies may engage and requires insurance companies to maintain specified reserves and a minimum solvency margin ratio, which is a regulatory measure of capital adequacy calculated by dividing the solvency margin (net assets (less certain items), plus unrealized gains on assets, subordinated debt and other items) by a quantified measure of total risk. The FSA has broad regulatory powers over our insurance businesses, including the authority to grant or revoke operating permissions, suspend operations, request information and conduct rigorous onsite inspections of books and records. We generally must also receive FSA approval for the sale of new insurance products and for changes to

the pricing terms of our products. Additionally, *Rakuten Life Insurance* and *Rakuten General Insurance* have both introduced the framework of the economic value-based solvency ratio to better measure their respective capital strength. We are also subject to certain regulatory restrictions as a principal shareholder of *Rakuten Life Insurance* and *Rakuten General Insurance*, under which the FSA may request the submission of reports or materials from, or may conduct inspections of, us in certain circumstances, and may order us to take such measures as the FSA deems necessary under certain circumstances.

Rakuten Wallet

Since April 2019, users of *Rakuten Wallet* have been able to purchase a selection of crypto assets, and in March 2020 we launched a crypto asset margin trading service following our registration as a Type 1 Financial Instruments Business under the FIEA. Because crypto assets are an emerging field, the legal framework applicable to our crypto asset business, including regulations and tax treatment, is likely to continue to evolve and could result in additional compliance costs, tax increases or restrictions in the scope of our operations. Additionally, *Rakuten Wallet* conducts identity verification and maintains transaction records in accordance with the Act on Prevention of Transfer of Criminal Proceeds of Japan (Act No. 22 of 2007, as amended) (the "Act on Prevention of Transfer of Criminal Proceeds"), but any failures to maintain compliance could result in penalties from the supervising authorities.

For further details regarding the effects of these regulations on our FinTech segment, see "Supervision and Regulation—Japanese Laws and Regulations—FinTech Segment." We believe we are in material compliance with these laws and regulations, but any amendments to these laws and regulations, any new laws or regulations or any unfavorable judicial or administrative interpretation or implementation of the laws and regulations, could materially and adversely affect our business, financial condition and results of operations due to increased compliance-related expenses or any other impacts that prompt us to discontinue any of our businesses. Furthermore, failure to comply with these laws and regulations and any amendments thereto, any new laws or regulations or any judicial or administrative interpretation or implementation of these laws and regulations, could result in regulatory investigations, penalties, business improvement orders, suspension or cancellation of business licenses, authorization or registration or other adverse consequences that could result in the termination of our businesses.

The volume of our trading activities is heavily influenced by trends in securities and crypto asset markets in Japan.

The principal sources of revenue for our online securities business is brokerage commissions on the execution of consumer trades and interest revenue from customers' margin trading. Following the implementation of commission-free trading for Japanese listed equities and for real-time foreign exchange trades between the U.S. dollar and Japanese yen in October and December 2023, respectively, commissions on trading in other assets and interest revenue on margin trading have increased in importance. Our online securities business is therefore significantly affected by fluctuations in trading volume and price levels of securities transactions as well as foreign exchange transactions. For example, a downturn in the Japanese securities market would negatively affect margin trading, which in turn would negatively affect revenue we generate from margin loans extended to our users. A downturn in the U.S. equities market could affect not only interest revenue from margin trading, but also commissions, as trades in such securities are still subject to trading commissions. The securities we hold as collateral for margin trading are also subject to fluctuations in trading price based on general economic conditions, factors specifically affecting the issuer of the securities or other factors. There is no assurance that the value of the securities held as collateral will be sufficient to cover the outstanding principal if there are defaults under our margin loans. Additionally, crypto asset prices and transaction demand can fluctuate significantly within a short period of time and such movements often do not correlate with general economic or market conditions, such as the loss of credibility caused by hacking incidents, bankruptcy of trading facilities or by increases in regulatory scrutiny, making it difficult to anticipate demand for the trading services offered by *Rakuten Wallet* for a certain period. In the event that demand for crypto asset transactions decreases during a certain period, our business, financial condition and results of operations may be adversely affected. In recent years, as a result of the effects of the COVID-19 pandemic, geopolitical developments such as the situations in Ukraine and the Middle East, changes in market interest rates, particularly in the United States, and volatility in the global banking sector, such as bank failures in the United States and the acquisition of Credit Suisse Group AG by UBS Group AG in June 2023, there has been an increased level of volatility in financial markets both in Japan and globally. If such volatility were to negatively affect demand for our trading activities, our results of operations could be adversely affected.

We are exposed to liquidity risk.

We must manage liquidity in order to maintain our ability, and confidence in our ability, to meet our obligations in our financial services businesses. We are primarily exposed to liquidity risk in the following businesses:

- *Rakuten Card*. *Rakuten Card* requires liquidity to fund credit card settlement payments and other obligations such as drawdowns on lending commitment lines to customers and raising funds through securitization transactions, in which *Rakuten Bank* invests, and borrowings from other financial institutions to meet its liquidity needs. As a result, our liquidity would be adversely affected if we became unable to sell our securitized instruments or if we are unable to obtain sufficient funding from third-party sources.

- *Rakuten Bank*. *Rakuten Bank* requires liquidity to fund customer withdrawals and other obligations in our banking business. Due to the reliance of *Rakuten Bank* on deposits for funding liquidity, *Rakuten Bank* could be adversely affected due to unexpected deposit outflows in response to market conditions, negative developments or speculation regarding the banking sector in general or negative developments specifically affecting *Rakuten Bank*. Due to the convenience and speed of digital banking services, including withdrawals of ordinary and fixed-term deposits and online fund transfers to other institutions, deposit outflows may occur more rapidly than would be the case for traditional banks. In addition, the liquidity of *Rakuten Bank* could also be impaired if the market liquidity of the assets held by *Rakuten Bank* decreases significantly due to difficulties in the financial markets or other factors, such as occurred in the United States in connection with recent bank failures.

- *Rakuten Securities*. *Rakuten Securities* holds securities as collateral in extending margin loans to our customers. If the market for the securities is not sufficiently liquid, we may be unable to sell the securities at a price sufficient to cover the principal of our outstanding loans or at all.

- *Insurance*. *Rakuten Life Insurance* and *Rakuten General Insurance* require liquidity to fund anticipated benefits, claims and surrender and other payments in our life insurance and general insurance businesses. If *Rakuten Life Insurance* or *Rakuten General Insurance* requires significant cash on short notice due to unanticipated policy payments, natural disasters that increase claims in excess of reinsurance and catastrophe reserves or other factors, *Rakuten Life Insurance* or *Rakuten General Insurance*, as applicable, could be forced to liquidate assets on unfavorable terms.

The credit evaluation of our financial services businesses by market participants and rating agencies could also be negatively affected by a decline in the creditworthiness of Rakuten Group, Inc. at the parent level. In addition, a certain portion of our assets, such as our loans and real estate, are generally illiquid and, if we are forced to liquidate such assets, our financial condition and results of operations could be adversely affected.

Our banking business and securities business are subject to foreign exchange risk.

The investment portfolio of *Rakuten Bank* includes securities denominated in foreign currencies, such as foreign government and corporate bonds, and *Rakuten Bank* holds foreign currency deposits and securities. We manage a portion of our exchange rate risk by funding foreign currency investments with deposits in the same currency and entering into hedging arrangements for foreign currency investments that are not funded in the same currency. However, there is no assurance that our efforts to manage foreign currency risk will be completely effective, and events such as the recent weakness of the Japanese yen against the U.S. dollar and other currencies may increase hedging costs. Unfavorable changes in foreign exchange rates could have an adverse effect on the value of these securities and could adversely affect our results of operations and financial condition.

Rakuten Securities is also exposed to foreign exchange risk in its foreign exchange trading services. Fluctuations in currency exchange rates could affect the value of the currencies traded and the cash collateral held by us. Cash collateral held by us may become insufficient to cover the amounts due to us from customers as a result of foreign exchange fluctuations. In addition to the direct impact on our foreign exchange trading services, fluctuations in the yen's exchange rate against major currencies, particularly extreme movements as seen recently, could also affect customer demand for trading in U.S. stocks and other foreign securities. A weaker yen has made foreign assets more expensive for domestic investors, potentially dampening demand, which could result in lower trading volumes in foreign stocks, reducing our revenue from such trading activities.

Our Rakuten Wallet business is subject to risks related to protection and maintenance of customer funds and assets.

Through our *Rakuten Wallet* service, customers are able to deposit funds in Japanese yen and purchase a selection of crypto asset. Customer funds are held in bank deposits through trust accounts, and a portion of the crypto assets are held in offline storage, referred to as "cold wallets." In order to secure customer funds and assets, *Rakuten Wallet* requires two-step authentication for customers to login, withdraw and transfer funds and assets. Additionally, *Rakuten Wallet* maintains security protocols and infrastructure to protect customer funds and assets from cyberattacks. However, if such risk management measures do not function effectively and any customer funds or assets are lost due to cyberattacks or technical failures, our brand, reputation, business, financial condition and results of operations could be adversely affected. Moreover, the regulation of this industry is still evolving, including in connection with high profile failures or instances of misconduct involving market participants, and changes in the regulatory landscape may adversely affect this business.

Our risk management policies and procedures may not adequately protect us from unidentified or unanticipated risks.

Rakuten Card, *Rakuten Bank*, *Rakuten Securities*, *Rakuten Life Insurance*, *Rakuten General Insurance*, *Rakuten Payment*, *Rakuten Edy* and *Rakuten Wallet* have organized risk management policies and procedures to address a range of risks, including market risk, credit risk, liquidity risk, counterparty risk and a variety of other risks. Many of our methods of managing risks and exposures are based on our use of observed historical market behavior or statistics based on historical data. We may not be able to use those methods to accurately predict future losses, which could be significantly greater than indicated by the relevant historical data. Other risk management methods depend in part on our evaluation of publicly available information regarding markets, customers or other matters, and such information may not always be accurate, complete, up-to-date or properly evaluated. In addition, our risk management procedures depend in part on information gathered from numerous other sources, and errors may be introduced during the process of gathering and compiling such information. In addition, operational risk is inherent in our business and can manifest itself in various ways, including inappropriate internal processes, human error, employee misconduct, systems malfunction and other internal or external factors. Management of operational risk requires, among other things, policies and procedures to properly record, verify and inspect a large number of transactions and events, and our policies and procedures may not be entirely effective. Any failure or ineffectiveness of our risk management policies or procedures could materially and adversely affect our business, financial condition and results of operations.

As we expand our product and service offerings, our customer base and our transaction volume, we may have difficulty achieving the administrative, systems and risk management improvements necessary to manage the risks associated with new business activities and increased scale. The risk management policies and procedures we adopt may not be effective in preventing losses related to the various types of risks that we face in our businesses. Failure or ineffectiveness of these policies and procedures could materially and adversely affect our business or result in losses.

Risks Relating to Our Mobile Segment

We may be unable to decrease losses at Rakuten Mobile or make it profitable.

Rakuten Mobile launched commercial services on its MNO network in April 2020, and we have made significant progress in expanding the network's coverage through physical base stations and other related infrastructure. However, this business is not yet profitable, and losses relating to it have been significant. During the years ended December 31, 2021, 2022 and 2023, segment loss for our Mobile segment was ¥412,235 million, ¥479,257 million and ¥337,524 million, respectively, due to our growing investments in infrastructure and growing our business, as well as slow growth in subscribers and churn among existing subscribers. Our Mobile segment loss in each of those years was greater than the combined segment profit of our Internet Services and FinTech segments, leading us to record consolidated operating losses and net losses in each such year. While the scale of segment losses in the Mobile segment has decreased in each quarter since the three-month period ended March 31, 2022, the pace of such decreases has not always been consistent and quarterly segment losses have continued to be significant. As a result, we have continued to record consolidated operating losses and net losses for the year ended December 31, 2023 and for the nine-month period ended September 30, 2024, including each quarter therein (except that we recorded consolidated operating profit for the three-month period ended September 30, 2024). In order to achieve profitability as soon as possible, we are seeking to maintain and increase our subscriber numbers and our ARPU, which will be critical to improving the performance of this

business and our financial condition and results of operations overall. In particular, in order to address a perceived difference in the quality of our user experience versus those of our competitor MNOs, which we believe has been the main contributor to churn among our subscribers, beginning in June 2023, we introduced a new service plan, the SAIKYO plan, allowing for unlimited use of roaming on KDDI's *au* network in applicable locations, including specified base stations on the "platinum band" spectrum. See "—*Rakuten Mobile*'s heavy reliance on the roaming agreement with KDDI, particularly for its SAIKYO plan, subject it to significant risk, and the SAIKYO plan may not provide the benefits we expect." Meanwhile, we are also seeking to continue to build out our own network, including the gradual roll-out of spectrum allotted to us in the 700 MHz "platinum band", as well as seeking additional allocations. See "—We may be unable to implement the "platinum band" allocated to us successfully or in a cost effective manner, or to receive additional allocations of spectrum." We have also been implementing various cost reduction measures, such as transfers of employees and reductions in physical stores. However, there can be no assurance that we will continue to be successful in acquiring and retaining customers, increasing ARPU, maintaining reduced capital investments and becoming profitable. Based on developments relating to *Rakuten Mobile* to date, particularly when growth in subscribers has not met our expectations, we have revisited our expectations for profitability (on an Adjusted EBITDA basis) for this business a number of times, including after subscriber numbers did not increase to the extent we expected following the introduction of the SAIKYO plan in June 2023. Furthermore, our cost reduction efforts may not provide the expected benefits or may harm subscriber experience, adversely affecting our ability to maintain or increase our subscriber base. Moreover, since the introduction of the *Rakuten Mobile Corporate Mobile Plan*, which was later renamed *Rakuten SAIKYO Plan Business*, for business customers, B2B subscribers have been one important source of growth in subscriber numbers; however, we may provide tailored fee structures to such customers, decreasing ARPU attributable to them. To the extent that such subscribers form an increasingly large portion of our overall subscriber base, and we are unable to increase ARPU attributable to them through, for example, the provision of solutions-related or other value-added services, ARPU growth may lag behind subscriber growth. In the event that we are unable to control and reduce loss of our Mobile segment in the future, our business, financial condition and results of operations may be adversely affected and we may not be able to return to profitability.

As a result of our capital investments in the development of our MNO network to date, we carry significant amounts of property, plant and equipment on our consolidated statement of financial position, which totaled ¥1,208,523 million as of September 30, 2024, compared to ¥376,424 million as of December 31, 2019. Should we determine that the carrying amount of the relevant assets exceeds the recoverable amount, we may be required to recognize an impairment loss with respect to such assets. See "—Risks Relating to Our Business Generally—We may be required to recognize significant impairment losses on our property, plant and equipment or intangible assets, particularly with respect to *Rakuten Mobile*." We believe that we have already made the bulk of the required capital investments necessary for the ongoing operation of our MNO network, and we expect the additional cost of "platinum band" deployment to be limited as a result of our use of V-RAN and O-RAN technologies. We are targeting reductions in the amount that we will require going forward, particularly through the use of the *au* network based on the roaming agreement. See "—*Rakuten Mobile*'s heavy reliance on the roaming agreement with KDDI, particularly for its SAIKYO plan, subject it to significant risk, and the SAIKYO plan may not provide the benefits we expect." Our capital investments in *Rakuten Mobile* in 2023 were ¥177.6 billion, which was below our original guidance of ¥200 billion. Our network-related capital expenditures in *Rakuten Mobile* (which excludes right of use assets and specified base station establishment fees) totaled ¥64.8 billion in the nine-month period ended September 30, 2024, and we expect the total for 2024 to be below ¥100 billion. We expect a similar amount of capital investments in 2025, which will be primarily focused on 5G network infrastructure. These planned capital expenditure figures contain a portion of the additional capital expenditures that will be required to roll out our services on the 700 MHz "platinum band" spectrum allotted to us in October 2023 attributable to 2024 and 2025. Overall, we estimate that cumulative capital expenditures associated with rolling out services on such 700 MHz spectrum will total approximately ¥54.4 billion through 2033, and such capital expenditures are expected to be back-end loaded in the 10-year period. In addition, we expect to record additional capital expenditures of approximately ¥0.9 billion per year through 2033 for base station openings related to the allocation of such 700 MHz spectrum. To the extent we are allocated additional spectrum on the platinum band in the future (of which there can be no assurance), additional capital expenditures will be required to roll out services on such spectrum. We may also be required to make larger than expected capital expenditures, whether due to changes in our relationship and roaming arrangement with KDDI due to the expected positive effect of the roaming arrangement with KDDI on our subscriber numbers not materializing or being less than expected, as a result of inflationary pressures or otherwise in order to continue to improve our own network to attract new subscribers.

Because *Rakuten Mobile*'s MNO network is the world's first end-to-end, fully virtualized, cloud-native mobile network and allows for high-speed 5G coverage in certain areas, we may encounter unexpected technical difficulties as the number of users and 5G coverage area increases. While we believe that our virtualized mobile network will result in significantly lower capital expenditures and operational expenditures in comparison to traditional mobile networks, such costs savings may not materialize to the extent expected, negatively affecting our plans for our network or requiring additional expenditures.

Rakuten Mobile's heavy reliance on the roaming agreement with KDDI, particularly for its SAIKYO plan, subject it to significant risk, and the SAIKYO plan may not provide the benefits we expect.

On May 11, 2023, we, KDDI and Okinawa Cellular Telephone Company announced that we had agreed to enter into a new roaming arrangement making certain selected *au* base stations in urban areas in Tokyo, Osaka and Nagoya which were previously not subject to our roaming arrangement available for our subscribers, in addition to certain indoor areas (including subways, underground areas, tunnels and indoor facilities) and rural areas. On May 12, 2023, we announced our new SAIKYO (meaning "strongest" in Japanese) plan. We believe that the SAIKYO plan has improved and will further improve our user experience in important ways, and, through its introduction, we have sought to decrease our churn and increase our subscriber numbers, while easing the need for constructing additional base stations, reducing the amount of capital expenditures we expect to make through 2025 by nearly ¥300 billion and significantly reducing our need for new funding. Moreover, because the new arrangement makes available in specified locations "platinum band" spectrum that is utilized by KDDI's base stations, our subscribers have been able to benefit from the characteristics of the spectrum in such locations prior to our deployment of the 700 MHz "platinum band" that was allocated to us by the MIC in October 2023 or the allocation of any additional such spectrum to us by the MIC. Additionally, pursuant to the terms of the roaming agreement with KDDI, roaming fees have gradually begun to decrease since the fourth quarter of the fiscal year ended December 31, 2023. In December 2023, we achieved a reduction of ¥16 billion in overall network costs (other than depreciation) and selling, general and administrative expenses on a monthly basis as compared to the highest level in the year ended December 31, 2022, surpassing our original goals of a ¥15 billion decrease within 2023; however, there is no assurance that we will be able to maintain these reduced cost levels. Based on the anticipated effect of the increases in subscribers and maintenance of lower churn rates that we are targeting through ongoing improvements in user experience and overall decreases in network costs, combined with our other strategies to increase ARPU and maintain reduced costs at *Rakuten Mobile*, we believe that the roaming arrangement, the roll-out of 700MHz "platinum band" and the SAIKYO plan present a path towards making this business profitable.

However, there are significant risks related to the roaming arrangement and SAIKYO plan as there can be no assurance that the targeted improvements to user experience will occur or occur at our expected pace, or that current or potential subscribers will be satisfied with such improvements. At the time of the commencement of the SAIKYO plan in June 2023, limits on high-speed roaming on the applicable base stations ceased under the terms of the plan. However, the additional base stations in urban areas were becoming available gradually and subject to ongoing adjustment, as we and KDDI configured them for the use of our subscribers and in light of data traffic. The implementation of the roaming agreement with KDDI was completed by March 2024. Because of the timing difference in the availability of such new base stations as compared to the time of commencement of the SAIKYO plan, many existing users, particularly in urban areas, did not immediately feel improvements in their user experience, and we believe that the full benefits have not yet been realized, limiting the attractiveness of the SAIKYO plan to potential new users. This and factors such as relatively low awareness of the plan contributed to smaller than expected increases immediately following its introduction, meaning that the immediate benefit to us in terms of attracting additional subscribers was limited despite our efforts to publicize the expected benefits. Moreover, the delay in actual and perceived user experience improvements between announcement of the SAIKYO plan and the roll-out of expanded roaming services had a negative effect on perceptions of the service overall. The roll-out of additional improvements (such as seamless switching between KDDI's base stations and ours) is still underway, and if we are unable to complete such additional improvements on the promised timeline, perceptions of our service from both existing and potential subscribers could be harmed further. In addition to the need to complete technical preparations to make adjustments to which base stations will be made available, the need to achieve seamless switching from *Rakuten Mobile* base stations to KDDI base stations presents novel technological challenges that we expect will require significant resources to solve. There can be no assurance as to when these initiatives will be completed, whether in a timely manner or at all. Any issues that subscribers may experience while roaming, whether due to congestion on KDDI's network, as a result of technical issues when switching networks, or otherwise, would further limit the perception of improvements in user experience by our subscribers. We believe that there is still a need to increase awareness of the SAIKYO plan and the potential benefits of the roaming arrangement, particularly among potential new

subscribers (including existing Rakuten Ecosystem users who are not yet *Rakuten Mobile* subscribers, a key group of potential subscribers). Following the completion of the planned network improvements, we plan to intensify our ongoing targeted, disciplined marketing initiatives to increase this awareness. However, these efforts may not be successful, limiting our ability to benefit from these initiatives. Our other concurrent initiatives to increase subscribers may also not be as successful as we anticipate. For example, our streamlined sign-up procedures instituted in July 2023 for customers who have already completed KYC to activate data-only e-SIMs, while faster than previous procedures, are not fully "one-click" as originally planned.

Furthermore, with the commencement of the SAIKYO plan, increases in traffic on KDDI's network due to SAIKYO plan subscribers as well as to KDDI's subscribers may limit the improvement in perceived user experience. Even if the SAIKYO plan is successful, its pivotal position in *Rakuten Mobile*'s strategy will mean that *Rakuten Mobile*'s reliance on the roaming agreement with KDDI will be critical to virtually all aspects of *Rakuten Mobile*'s business and strategy, and any adverse changes in the roaming agreement or such relationship or *Rakuten Mobile*'s ability to continue it could materially and adversely hurt our business, financial condition and results of operations. Moreover, we may wish to extend the term of the roaming plan prior to or at the end of its term in September 2026, but we and KDDI may not be able to agree upon the terms of such extension, which may harm our ability to continue to cover the relevant areas, require us to increase capital or other expenditures to a higher-than-expected level, adversely affect user experience for our subscribers or otherwise materially and adversely affect *Rakuten Mobile*'s business.

We may be unable to implement the "platinum band" allocated to us successfully or in a cost effective manner, or to receive additional allocations of spectrum.

Our ability to provide mobile telecommunications and the quality of our user experience are heavily dependent on the availability of radio frequency spectrum, and our ability to utilize spectrum allotted to us efficiently and effectively. We believe that improvements in our user experience in particular will be critical to growing and maintaining our user base and achieving profitability at *Rakuten Mobile*, and that improving connectivity in underground, indoor and crowded locations in particular will be key to achieving this. On October 23, 2023, *Rakuten Mobile* received approval from the MIC for its special base station deployment plan for the expansion of mobile communications systems, and an allocation, in the 700 MHz frequency spectrum, also known as the "platinum band," in addition to our existing spectrum allocations in the 1.7 GHz frequency band for our 4G network and the 3.7 GHz and 28 GHz frequency bands for our 5G network. Based on this approval, on June 27, 2024 *Rakuten Mobile* started to roll out connectivity utilizing the 700 MHz band for commercial services in order to provide even higher-quality mobile service to customers. However, while the success of these efforts will be critical to reduce our reliance on our relationship with KDDI and roaming fees paid to it without harming our ability to maintain and grow our subscriber base, there is no guarantee that we will be able to successfully utilize the spectrum allocated to us to improve our user experience to the extent we desire. While we are seeking to use this additional spectrum (together with roaming on KDDI's platinum band spectrum) to address coverage holes, particularly in indoor locations in urban areas, the allotted spectrum consists of 3 MHz within the 700 MHz band, and such a narrow allocation may not be optimal for general use in highly populated areas for capacity reasons. To successfully utilize this allocation, we are seeking to overcome the technological challenges of managing base station selection, design and implementation to prevent capacity issues while still achieving our targeted coverage improvements, and there can be no assurance that we will be successful in doing so. Moreover, while we believe our virtualized, cloud network equipment can be converted more cost-efficiently than that of our competitors, we will nevertheless need to incur additional costs to convert our existing base stations to make use of such spectrum. While overall we estimate that cumulative capital expenditures associated with rolling out services on such 700 MHz spectrum will total approximately ¥54.4 billion through 2033, such costs may turn out to be larger than expected, or such conversions may take longer than expected. Our current plans call for the completion of the roll-out by March 2026. However, there is no assurance that we will be able to meet either of these goals successfully.

We may also decide to seek allocations in the 800 MHz or 900 MHz bands (or reallocations of spectrum already allocated to our competitors). While the MIC released a report on the potential reallocations of spectrum in the 800 MHz and 900 MHz bands in December 2022, no date for such reallocation has been indicated, and there is no guarantee whether or when such a reallocation may occur, and our competitor MNOs have indicated that they fiercely oppose such reallocation. As spectrum in these bands is currently in use by our competitors, it is also possible that, even if allocated such spectrum, while the current expectation is that reallocation costs will be borne by the competitor MNOs currently using the relevant spectrum, we may be required to pay at least a portion of such costs.

Use of radio frequency spectrum in Japan is allocated at the discretion of the Minister of MIC after consultation with the Radio Regulatory Council and consideration of plans submitted by operators. The Radio Act gives the Minister of MIC the authority to allocate frequency spectrum to private telecommunications providers for the establishment of radio transmission stations. When the Minister of MIC determines that it will allocate frequency spectrum, it must publicly announce the frequency spectrum ranges to be allocated, the planned timeline for allocation and establishment of radio transmission stations, and other matters. For details on the allocation process, see "Supervision and Regulation—Japanese Laws and Regulations—Mobile Segment—Radio Act—Allocation of radio frequency spectrum." For any application submitted to the Minister of MIC in connection with a proposed allocation, or an Allocation Proposal, must contain, among other matters, evidence of the necessity of establishing radio transmission stations, purposes, a technique for utilization of the applicable frequency spectrum, the proposed number of radio transmission stations and their proposed locations, the timeframe for establishing stations and the service area. In allocating spectrum, the Minister of MIC compares the plans submitted by operators and considers various factors such as whether or not such application conforms with the Allocation Proposal, the soundness of the business plan, the scale of the proposed investment and provision of access to MVNOs. The Minister of MIC will allocate spectrum based on its review and approval of such plans.

The MIC also has the authority to reallocate spectrum as it deems necessary to secure an appropriate and reasonable utilization of frequency spectrum, taking into consideration the effect that such actions may have on other spectrum users. Accordingly, if we are unable to use current or future allocations of spectrum in a manner consistent with the expectations of the MIC, we may lose such allocations, harming our MNO network and the user experience on it. Moreover, allocation to *Rakuten Mobile* of 4G and 5G spectrums were subject to several conditions set by MIC, including that (i) it has a plan of funding and achievement of annual profit within a certain period, and (ii) it does not engage in certain business transfer or similar transactions with existing mobile operators, which may restrict our strategic alternatives.

There is also the possibility that a spectrum auction system may be implemented. In particular, in September 2022, a working group of the MIC announced its stance that consideration should be given to making possible the implementation of a conditional auction (i.e., an auction considering, in addition to bid prices, other factors such as the condition of the bidder and their ability to use spectrum) for 5G spectrum expected to be allocated in the year ending March 31, 2026. In such circumstances, we may be required to make additional unexpected expenditures, which may adversely affect our business, financial condition and results of operations.

Changes in Rakuten Mobile's service plans or in their positioning compared to competitors, particularly in pricing, may cause us to lose customers to our competitors, harming its ability to increase subscriber charges.

We believe that the pricing of *Rakuten Mobile*'s service plans has been a significant driver behind the growth of its subscriber base to date. While previous service plans included at least some tier of free-of-charge service, beginning on July 1, 2022, *Rakuten Mobile* began offering its new unified service plan, Rakuten UN-LIMIT VII, and all subscribers began paying subscription fees in November 2022. While this has improved ARPU, it was a cause of significant decreases in subscribers, which dropped from 4.91 million as of March 31, 2022 to 4.76 million as of June 30, 2022, following the announcement of UN-LIMIT VII in April 2022. Subscriber numbers continued to drop through December 31, 2022 to 4.46 million, although they have increased following the introduction of the SAIKYO plan in May 2023, and reached 7.41 million as of November 10, 2024 (total of MNO subscribers, excluding BCP and MVNE subscribers). However, any change in the terms thereof, whether as to pricing, data usage (including while roaming on KDDI's network) or otherwise, may harm our ability to maintain and grow our subscriber base. Moreover, we are seeking increases in ARPU based on higher data usage, the introduction of optional services under our SAIKYO plan to which all existing subscribers were automatically transitioned, and the positive effect of Mobile Ecosystem Contribution. Accordingly, our ability to increase pricing, including to pass on increased costs, may be limited, harming our strategies to improve the profitability of this business.

Overall subscriber levels may also decrease, or we may be unsuccessful in increasing subscribers to the extent targeted, due to changes in our or our competitors' pricing structures (including data caps), actual or perceived differences in the quality of our network (including speed and reliability) versus those of our competitors, differences in service offerings or otherwise. See "—Risks Relating to Our Business Generally—We face intense competition, including from competitors with greater resources than we possess, and such competition may intensify." Moreover, we believe that the ability of *Rakuten Mobile* to connect subscribers with the Rakuten Ecosystem, particularly through *Rakuten Points*, is a particular competitive advantage. However, any

changes to the *Rakuten Point* benefits that we make available to *Rakuten Mobile* subscribers, including promotional point reward campaigns and increased points for shopping on *Rakuten Ichiba*, and overall attractiveness of *Rakuten Point* for mobile users, may harm this advantage.

In January 2023, we began offering the *Rakuten Mobile Corporate Mobile Plan*, which was later renamed *Rakuten SAIKYO Plan Business*, for business customers, offering four tiers of data usage for voice call and unlimited data plans costing ¥1,980 (excluding tax) for monthly data use of up to 3 GB, ¥2,380 (excluding tax) for monthly data use of up to 5 GB, ¥2,780 (excluding tax) for monthly data use of up to 30 GB and ¥2,980 (excluding tax) for unlimited monthly data use, with data usage above the respective limits unlimited but subject to decreased speeds. While we believe that the pricing and other features of this offering are attractive, it may not be successful in attracting business customers, who may be more sensitive to actual or perceived differences in network quality and reliability or who may be less willing than individual subscribers to leave our competitors, particularly if such competitors or their affiliates also provide them with other telecommunications services such as landlines, Internet connections or other information technology-related services. Moreover, business customers may find the benefits of the Rakuten Ecosystem, which we believe to be among the principal benefits of a *Rakuten Mobile* subscription, to be less attractive than individuals.

In 2024, we have begun offering a number of new programs aimed at making our plans increasingly attractive to families and seniors, providing discounts and/or points for families, children until the age of 13, youth aged 13 through 22 and seniors (those who are 65 years of age or older). However, there is no guarantee that such strategies will be sufficient in growing our B2C subscriber base, particularly when compared to family and student discounts made available by competitors, or in improving overall ARPU (and ARPU attributable to subscribers eligible for these discounts will be limited to the extent of such discounts).

Rakuten Mobile is subject to extensive laws, government regulations and licensing regimes that restrict and may impose new restrictions on our MNO business.

As the operator of a mobile telecommunications business, *Rakuten Mobile is* subject to various laws, regulations and licensing regimes. In particular, the TBA and the Radio Act, which govern *Rakuten Mobile*'s business, the relevant guidelines under each Act formulated by the MIC and the regimes that govern the spectrum allocated to us by the MIC govern the way *Rakuten Mobile* is able to conduct its business, including the services it provides and the ways in which it markets and prices these services. Many of the licenses and permits that are required to provide telecommunications services are subject to various conditions and other requirements and there is no assurance that *Rakuten Mobile* will be able to satisfy such conditions or other requirements. Other aspects of *Rakuten Mobile*'s business are also subject to regulation and oversight, including exchanges, reissuances and restrictions on SIM cards and MNP transfer fees, as well as orders, guidance from or other pressure from the MIC or the government in general with respect to the fees that MNOs can charge. For example, in 2019, the National Diet of Japan passed a law prohibiting the bundling of mobile device purchases and mobile telecommunications fees in an attempt to spur competition among MNOs that took effect in November 2019, and, in October 2020, the MIC ordered the three other domestic MNOs, namely, SoftBank, NTT Docomo, and KDDI, to reduce their mobile plan pricing. Actions such as these may limit our ability to operate our business as we desire, harming our ability to implement our strategies or affecting market dynamics in negative ways.

Rakuten Mobile has also received written guidance from the MIC on multiple occasions, including on March 10, 2021, regarding the leakage of personal information and confidentiality of communications of the users of its *Rakuten Link* application. Moreover, on June 15, 2021, the MIC issued an administrative order to *Rakuten Mobile*, three other mobile carriers and the National Association of Mobile-phone Distributors regarding the improper refusal to sell mobile devices to certain customers. Furthermore, on December 9, 2022, the MIC issued administrative guidance to *Rakuten Mobile* as described under "—The growth of *Rakuten Mobile* will depend on the satisfactory performance of our network systems." Any future breaches of relevant regulations may subject us to further administrative guidance or administrative sanctions by government agencies such as the MIC, which could hinder our business development, harm our reputation or create financial burdens that could negatively affect our business, financial condition and results of operations.

Given the comprehensive regulatory framework in place for providers of mobile services and compensation regulation in Japan, many of our initiatives with respect to *Rakuten Mobile* require careful consideration of compliance with applicable laws and regulations. For example, in July 2023, we rolled out streamlined sign-up and activation of new data SIMs for existing Rakuten Ecosystem users who had already completed "know your customer" and other procedures for other Rakuten entities such as *Rakuten Bank*. On

August 31, 2023, we expanded this simplified sign-up and activation process to include voice-enabled SIMs as well. However, compliance with the required "know-your-customer" requirements is complicated, and, even if we successfully design such procedures in accordance with current laws and regulations, changes in law may require us to cease such features or limit their applicability.

Any change or repeal of the Act on Nippon Telegraph and Telephone Corporation may adversely affect Rakuten Mobile.

The future of the Act on Nippon Telegraph and Telephone Corporation (Act No. 85 of 1984, as amended) (the "NTT Act"), has been the subject of fierce debate. Originally enacted to, among other things, spur competition in the Japanese telecommunications industry in light of high costs arising from the monopoly of the government-owned predecessor to Nippon Telegraph and Telephone Corporation, the NTT Act contains provisions imposing significant restrictions on the operation of NTT and its subsidiaries which we believe are critical to the maintenance of fair competition in the Japanese telecommunications industry, including a restriction on the ability to consolidate NTT's two main fixed-line telecommunications subsidiaries, Nippon Telegraph and Telephone East Corporation, or NTT East, and Nippon Telegraph and Telephone West Corporation, or NTT West, between themselves or with NTT Docomo. In light of the vast physical assets held by NTT as a result of its former ownership by the government, there are also significant restrictions on the ability of foreign parties to invest in it from a national security perspective, as well as a requirement that the Japanese government hold approximately one-third of NTT's issued share capital.

In April 2024, an amendment to the NTT Act was enacted. The amendment, among other things, abolishes the requirement for NTT to engage in research and development and make public the results of such efforts, allows for the appointment of non-Japanese citizens to NTT's board of directors (provided that the number of such directors must be less than one-third of the full board and that the representative director must be a Japanese citizen), changes the current requirement for prior approval of the Minister of the MIC for the appointment or dismissal of executive officers to a post-facto notification, abolishes the requirement for prior approval by the Minister of the MIC for the distribution of excess capital and allows for NTT to change its business name. In October 2024, the relevant working groups of the MIC continued to address further amendment proposals to the NTT Act, including the expansion of the universal service obligation to cover fixed-line telephone services using mobile networks and modifying the conditions under which NTT is required to provide nationwide universal service, based on the overarching principle of ensuring fair competition in the industry. On October 29, 2024, MIC held a hearing on this proposal, inviting representatives from NTT, KDDI, SoftBank, and *Rakuten Mobile*.

Together with other telecommunications operators in Japan, we have expressed concerns about the potential further liberalization of NTT regulations, including the possible abolition of the NTT Act as early as 2025. Any such further deregulation could materially and adversely affect our ability to compete with NTT, NTT Docomo or any of other NTT's subsidiaries.

The growth of Rakuten Mobile will depend on the satisfactory performance of our network systems.

The growth of *Rakuten Mobile* depends on, among other things, the satisfactory performance of our network systems and the spectrum that the government allocates to us. In order to remain competitive and retain and grow the customer base of our MNO network, we must undertake continuous maintenance and upgrades to our mobile and fixed-line networks to ensure adequate network capacity and capability and to protect against disruptions. In the event of a slowdown or disruption of services that affects steady and uninterrupted service on our MNO network, whether due to technical difficulties, natural disasters, cyberattacks or other unexpected events, our reputation and business may be adversely affected. For example, on September 4, 2022, approximately 1.3 million subscribers were affected by service disruptions on our MNO network lasting approximately two and a half hours that were caused by the resetting of network hardware. In response to the disruption of service, on December 9, 2022, the MIC issued administrative guidance instructing *Rakuten Mobile* to take countermeasures to prevent similar disruptions of service in the future. We have also experienced disruptions in service on our MNO network and for roaming services provided by KDDI on its *au* telecommunications network as a result of inclement weather such as typhoons and heavy rains. With the introduction of our roaming arrangement with KDDI, our subscriber experience will depend even more on KDDI's *au* network, amplifying the risks to us from potential issues with that network. See "—*Rakuten Mobile*'s heavy reliance on the roaming agreement with KDDI, particularly for its SAIKYO plan, subject it to significant risk, and the SAIKYO plan may not provide the benefits we expect."

Constraints on network capacity may cause unanticipated system disruptions and slower response times, adversely affecting data transmission. In addition, in order to continue to grow our network capacity, we are required to accurately predict our future capacity needs based on present and historical amounts of network traffic. If we underestimate the amount of network capacity required for our MNO business, or if we are unable to upgrade our network systems quickly enough to accommodate future traffic levels, our reputation may be harmed and we could lose customers and encounter difficulties in acquiring new customers or may need to make unanticipated additional capital investments. Moreover, current or potential subscribers may perceive the networks of our competitors to be more reliable or less susceptible to outages. In particular, in recent months our competitor MNOs have commenced or announced the planned commencement of "secondary line" services in an attempt to ameliorate the effect of network outages on their respective subscribers. For an additional monthly fee, these services allow our competitors' subscribers to switch their handset's connection to a secondary line with the other specified MNO. *Rakuten Mobile* does not currently offer such a service, which may harm its attractiveness to current or existing subscribers as compared to our competitor MNOs.

We are also seeking alternative methods to increase coverage and improve service, such as test operations for mobile telecommunications using low-orbit satellites. In particular, we have invested in the business of and partnered with AST SpaceMobile to offer direct communication between our subscribers' handsets and AST SpaceMobile's satellites, seeking to reach full coverage of the population of Japan and availability of our network in remote areas while limiting the amount of capital expenditures required to achieve these goals. However, such efforts may require significant expenditures beyond our expectations as we seek to develop them for scaled commercial use. Moreover, this technology is new and still under development, and these initiatives may not be successful, whether for technological, operational or other reasons, whether within our desired timeframe of aiming for commencement of services in 2026 or later, or at all.

Our MNO business relies heavily on agreements with and support from third parties other than KDDI.

In addition to our relationship with KDDI, we have entered into infrastructure access and utilization agreements with certain of Japan's regional power companies, such as our agreements with TEPCO, Chubu Electric Power Co., Inc. and Hokuriku Electric Power Company, which allow us to utilize such companies' transmission towers, utility poles, telecommunication towers, rooftop facilities and other equipment for our network of physical base stations for our MNO business. In the event that we were no longer able to install our physical base stations on such companies' existing infrastructure, our ability to provide base station access to our customers could be adversely affected. On July 1, 2022, *Rakuten Mobile* and TEPCO established Rakuten Mobile Infra Solution, Inc., or *Rakuten Mobile Infra Solution*, a new company to provide construction solutions for physical base stations to further improve the efficiency of base station construction by effectively utilizing public assets to expand *Rakuten Mobile*'s network, developing installation specifications for *Rakuten Mobile*'s base station equipment and managing installation work. *Rakuten Mobile* also resells Fiber-to-the-home, or FTTH, services provided by NTT East and NTT West under the *Rakuten Hikari* brand. To the extent that deteriorations in our relationships with Japan's regional power companies, NTT East, NTT West or our equipment suppliers were to impact our ability to provide expected services to our customers, our business, financial condition and results of operations could be adversely affected.

We also utilize the support of technical and other partners at *Rakuten Mobile*. For example, *Rakuten Mobile* outsources certain development matters relating to its *Rakuten Link* smartphone application, which allows subscribers to make unlimited VoIP calls, including to land and mobile lines, in Japan, to Mavenir Systems Inc. ("Mavenir"). However, recently, there has been significant negative publicity regarding Mavenir. In particular, in October 2024, S&P announced a downgrade of a subsidiary of Mavenir based on S&P's view that the subsidiary is likely to default the repayment of certain of its securities upon maturity, scheduled for January 2025. If Mavenir were to default on its obligations or otherwise become unable to continue its business, *Rakuten Mobile* would be required to either conduct the relevant development activities internally or find an alternative development partner for *Rakuten Link*. However, such alternative may not be feasible immediately or at all, which could negatively affect the quality or availability of *Rakuten Link*, whose unlimited VoIP calling feature we believe subscribers find to be an attractive feature of *Rakuten Mobile*, harming *Rakuten Mobile*'s ability to maintain or grow its subscriber base. Moreover, *Rakuten Mobile* may be required to incur additional costs or commit additional resources to maintain the quality and availability of *Rakuten Link*. As a result of such developments, our plans to reach profitability at *Rakuten Mobile* may be negatively affected.

We purchase and lease various equipment, products and services from suppliers for the operation of our MNO network, and our inability to procure such equipment, products or services or defects therein could adversely affect our business.

We procure telecommunications equipment, network devices and various other hardware, software, support and services from various suppliers. In particular, we rely upon certain key suppliers such as Nokia Corporation, Cisco Corporation and NEC Corporation to supply the network equipment for our MNO business. Although we generally expect our suppliers to supply their products and services free of defects in a timely manner and in sufficient volume in accordance with our agreements with such suppliers, we may be unable to switch suppliers or equipment in a timely or cost-efficient manner in case problems occur. We do not have direct operational or financial control over these key suppliers, and there can be no assurance that such suppliers will continue to provide equipment and services at attractive prices or that we will be able to obtain such equipment and services in the future from those or other providers, on the scale and within the time frames that we require, if at all. Our contractual arrangements with these counterparties also expose us to certain risks. We may not be able to reach commercially reasonable agreements on the procurement of equipment, installation and maintenance of telecommunications equipment or other key aspects of our MNO business, or maintain acceptable commercial terms to such agreements over time. Supply interruptions, delivery delays, order volume shortfalls, defects and the cessation of installation, maintenance and inspection services, or any other similar problems could impede our provision of services, making it difficult to acquire and retain customers, or causing us to incur additional costs, such as additional maintenance-related capital investments or equipment replacement costs. For example, due to global semiconductor shortages affecting our ability to procure the necessary network equipment for the continued roll-out of our MNO network, we delayed certain capital expenditures originally scheduled for 2021 to 2022. Suppliers may also cease providing the installation, maintenance and inspection services necessary to maintain performance of their supplied equipment. Any of the foregoing consequences could have a material adverse effect on our business, financial condition and results of operations.

If the operations of Rakuten Symphony do not expand and develop as we expect, our business, financial condition and results of operations could be adversely affected.

Our subsidiary, *Rakuten Symphony* represents a significant part of our efforts to expand the international reach of our Mobile segment. However, *Rakuten Symphony* is still developing, and may not expand and develop as we expect. Furthermore, *Rakuten Symphony*'s business is currently limited to a small number of key customers, including German mobile network provider 1&1, and adverse developments in those customer relationships may have a material effect on it. For example, we may encounter delays due to obstacles such as technical difficulties, regulatory clearances and changes in the needs of our target customers. Failure to meet customers' expectations for the provision and quality of service may result in a claim for damages or a need to acquire a license for intellectual property rights from a third party, or harm *Rakuten Symphony's* business prospects with the relevant customer or other actual or potential customers. Moreover, *Rakuten Symphony* utilizes Mavenir as a sub-contractor for the construction of 1&1's open RAN-based network, and negative developments relating to Mavenir (see "—Our MNO business relies heavily on agreements with and support from third parties other than KDDI.") may require *Rakuten Symphony* to find an alternative sub-contractor, potentially leading to additional delays or disruptions, or require it to incur additional costs or commit additional resources. Any such negative developments or obstacles or resulting changes to our development plans, or cost increases driven by inflation generally, may result in cost increases or delays in the development of *Rakuten Symphony*'s business, which may adversely affect our business, financial condition and results of operations. Furthermore, revenues recorded depend heavily on the timing of deliveries and related matters under these relationships, and may fluctuate heavily from quarter to quarter. *Rakuten Symphony*'s current and target customer base is located in a wide variety of international jurisdictions, exposing our operations to additional country risks. Also, we have announced our plans to seek capital investments in *Rakuten Symphony* from third parties. However, we are not currently in substantive discussions with potential counterparties, and we do not currently have specific plans to pursue any such discussions. Even if we commence efforts in earnest to find a third party to contribute capital to this business, there can be no assurance that we will be able to accomplish such capital raising on the terms that we desire or at all, or without incurring other negative effects on *Rakuten Symphony*'s business.

Our retail electricity supply business is subject to the risk of power price fluctuations.

As part of our Mobile segment, *Rakuten Energy* operates in the retail electricity supply market to provide power plans to retail customers based on a unit cost fee structure that varies with the level of energy consumption. In order to provide electricity to retail customers, *Rakuten Energy* procures power from the wholesale power trading market, which is subject to price fluctuations, whether due to fuel costs, supply

constraints or otherwise. *Rakuten Energy* enters into fixed rate power procurement contracts for a portion of the power it procures, but there can be no assurance that these contracts will be sufficient to mitigate the effects of fluctuating power prices. For example, the electricity supply network in Japan has been under significant pressure in recent years, as global increases in energy prices have affected Japan, combined with unusually hot weather. In the event of continued pressure on electricity supply (leading to significant increases in power prices or loss of a stable power supply), our business and results of operations may be adversely affected.

Risks Relating to the Notes

The market for the notes may have limited liquidity.

Although approval in-principle has been obtained from the Singapore Exchange for the listing and quotation of the notes on the Singapore Exchange, there can be no assurance that any liquid markets for the notes will ever develop or be maintained. Certain of the initial purchasers have advised us that they currently intend to make a market in the notes following the offering. However, the initial purchasers have no obligation to make a market in the notes and they may stop at any time. Furthermore, there can be no assurance as to the liquidity of any markets that may develop for the notes or the prices at which you will be able to sell your notes, if at all.

Future trading prices of the notes will depend on many factors, including:

- prevailing interest rates;
- our financial condition and results of operations;
- the then-current ratings assigned to the notes;
- the market for similar securities; and
- general economic conditions.

Any trading markets that develop would be affected by many factors independent of and in addition to the foregoing, including the outstanding amount of the notes and the level, direction and volatility of market interest rates generally.

In addition, in the event that our obligations in connection with maintaining the listing of the notes on the Singapore Exchange become unduly burdensome, we may be entitled to, and may decide to, delist the notes from the Singapore Exchange and seek an alternate listing for the notes on another securities exchange.

The notes will be perpetual securities, and there are no optional or mandatory redemption or other features of the notes triggered by a change of control.

The notes will be perpetual securities in respect of which there is no fixed maturity date by which we would be under obligation to redeem the notes. See "Description of the Notes—Maturity and Redemption." The notes are not subject to any optional or mandatory redemption or other features triggered by a change of control.

Our obligations under the notes are subordinated, and will be terminated completely upon the occurrence of a Claim Rights Termination Event.

Our obligations under the notes will be unsecured and subordinated. Although subordinated debt securities, such as the notes, may pay a higher rate of interest than comparable debt securities which are not subordinated, there is a risk that an investor in subordinated securities such as the notes will lose all or some of its investment and payments of interest may be deferred should we become insolvent.

Upon the occurrence of a Subordination Event (liquidation proceedings (seisan tetsuzuki) or bankruptcy proceedings (hasan tetsuzuki) under Japanese law or analogous proceedings in other jurisdictions, all as more particularly described in "Description of the Notes"), our obligations pursuant to the notes will be subordinated in right of payment (except as otherwise provided by mandatory provisions of law) to all Senior Obligations, rank substantially *pari passu* with all Parity Obligations and rank senior to all Junior Obligations. So long as such Subordination Event continues, no payment will be made with respect to such note unless and until the relevant Subordinate Payment Conditions have been satisfied, and to the extent any Senior Preference Shares (as defined

in "Description of the Notes") are then outstanding, the holder of such note will only become entitled to the Subordination Claim Amount (which shall be the amount payable by us in respect of each note (in lieu of any other payment by us), which will be the amount, if any, as would have been payable to the holder of such note if, on the day prior to the commencement of the relevant Subordination Event, and thereafter, such holder were the holder of a Senior Preference Share having an equal right to a return of assets on the occurrence of the relevant Subordination Event, and so ranking *pari passu* with, the holders of Parity Obligations, but ranking junior to the claims of holders of all Senior Obligations (except as otherwise provided by mandatory provisions of law), on the assumption that the amount that such holder was entitled to receive in respect of each Senior Preference Share on a return of assets on the occurrence of such Subordination Event, was an amount equal to the principal amount of the relevant note and any accrued and unpaid interest and any outstanding Arrears of Interest). The Subordinate Payment Conditions provide that all Senior Obligations must be paid in full, or satisfied in full through some other means, and if based on proceedings outside of Japan, pursuant to the relevant order, plan, scheme or other structure adopted pursuant to the relevant proceedings before any payment on the notes may be made, all as more particularly described in "Description of the Notes." Notwithstanding the foregoing, no amount in respect of the notes shall, merely as a result of the commencement of rehabilitation proceedings, reorganization proceedings or analogous proceedings under any non-Japanese law, be or become payable sooner than the same would otherwise have been or become payable by us had no such proceedings been commenced (see "—Japanese insolvency laws may be different from, and not as favorable to you as, insolvency laws in other jurisdictions").

In addition, upon the occurrence of a Claim Rights Termination Event (reorganization proceedings (kaisha kousei tetsuzuki) or rehabilitation proceedings (minji saisei tetsuzuki) under Japanese law and analogous proceedings in other jurisdictions, all as more particularly described in "Description of the Notes"), the holders of the notes will be deemed to have irrevocably waived their right to claim or receive, and will not have any rights against us, the Trustee or the Paying Agent with respect to, payment of principal, any interest, Arrears of Interest or Additional Amounts, except for any payments of any interest, Arrears of Interest or Additional Amounts that have become due and payable prior to the occurrence of the Claim Rights Termination Event.

We have the right to defer interest payments on the notes.

We may, at our discretion, elect to defer all or part of any payment of interest on the notes. See "Description of the Notes—Optional Interest Deferral." While the deferral of payment of interest continues, we are not prohibited from making payments on any instrument ranking senior to the relevant notes or on certain instruments ranking pari passu with the relevant notes and, in such event, the holders of such notes are not entitled to claim immediate payment of interest so deferred. Any such deferral of interest payment shall not constitute a default for any purpose unless such payment is required in accordance with the terms of the notes.

Any deferral of interest payments is likely to have an adverse effect on the market price of the relevant notes. In addition, as a result of the interest deferral provision of the notes, the market price of the notes may be more volatile than the market prices of other debt securities on which original issue discount or interest accrues that are not subject to such deferrals and may be more sensitive generally to adverse changes in our financial condition.

The notes may not be redeemed unless and until all outstanding Arrears of Interest in respect of the notes are satisfied in full, on or prior to the date set for the relevant redemption.

Holders have limited remedies in the event that we do not pay interest on the notes.

The terms of the notes provide that the notes will be perpetual securities and there is, therefore, no obligation on us to repay principal on any given date. In addition, payments of interest on the notes may be deferred in accordance with the terms of the notes and we will not be obligated to pay interest other than in the limited circumstances described in "Description of the Notes."

Non-payment of principal or interest will not constitute an event of default under the notes. Amounts under the notes will become payable only upon an acceleration of the notes, as described in the next sentence. If a Subordination Event occurs, the Trustee or the holders of not less than 25% in aggregate principal amount of the notes may, or if so requested by the holders of not less than 25% in aggregate principal amount of the notes then outstanding the Trustee shall, by written notice to us declare the principal of, premium, if any, and all interest then accrued on the notes to be forthwith due and payable and upon such declaration, the notes shall become immediately due and payable, subject to the subordination provisions.

Modification and waiver may bind all holders of the notes.

The terms of the notes will contain provisions allowing holders of the majority of the aggregate principal amount of the notes to waive or modify certain of their terms or certain terms of the Indenture in agreement with us.

The relevant terms of the notes will also provide that the Trustee may, without the consent of the relevant holders, agree with us to (i) any modification of the terms of the notes or of any other provisions of the Indenture in respect of the notes which is in each case, in the opinion of the Trustee, of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification to (except as mentioned in the Indenture in respect of the notes), and any waiver or authorization of, any breach or proposed breach by us of, any of the terms of the notes which is, in the opinion of the Trustee, not materially prejudicial to the interests of the relevant holders (which will not include, for the avoidance of doubt, any provision entitling the relevant holders to institute proceedings for winding-up which is more extensive than those set out in the terms of the notes).

There is no limitation on issuing or guaranteeing debt ranking senior to or pari passu with the notes.

There is no restriction on the amount of debt which we may issue or guarantee or any negative pledge provisions. We and our subsidiaries and affiliates may incur additional indebtedness or grant guarantees in respect of indebtedness of third parties, including indebtedness or guarantees that rank senior to or p*ari passu* with the obligations under and in connection with the notes. If our financial condition were to deteriorate, the holders of the notes could suffer direct and materially adverse consequences, including loss of interest and, if we were liquidated (whether voluntarily or not), the holders of the notes could suffer a loss of their entire investment.

The notes will be subject to optional redemption by us, including upon the occurrence of certain events.

The notes will be redeemable, at our option, in whole but not in part on the relevant First Reset Date and any Interest Payment Date thereafter at their principal amount together with any premium, if any, together with any accrued and unpaid interest up to (but excluding) the redemption date and any outstanding Arrears of Interest.

Upon the occurrence of an Accounting Event, a Rating Methodology Event, a Substantial Repurchase Event, a Tax Deduction Event or a Withholding Tax Event (each as defined in "Description of the Notes"), we will have the option to redeem, in whole but not in part, the notes at the prices set out therein, in each case together with premium, if any, any accrued and unpaid interest up to (but excluding) the redemption date and any outstanding Arrears of Interest.

During any period when we may elect to redeem the notes, the market value of the notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

We may be expected to redeem the notes when our cost of borrowing is lower than the interest payable on them. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest payable on the notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

The interest rate on the notes will reset on the First Reset Date and on every relevant Reset Date thereafter, which can be expected to affect the interest payment on the notes and the market value of the notes.

Although the notes will earn interest at a fixed rate until (but excluding) the relevant First Reset Date, the current market interest rate on the capital markets (the "market interest rate") typically changes on a daily basis. Since the initial fixed rate of interest for the notes will be reset on the relevant First Reset Date (as defined in "Description of the Notes"), and on each subsequent Reset Date, the interest payment on the notes will also change. Holders should be aware that movements in these market interest rates can adversely affect the price of the notes and can lead to losses for the holders if they sell the notes.

Holders are exposed to the risk of fluctuating interest rate levels and uncertain interest income as the reset rates could affect the market value of an investment in the notes.

Changes in rating criteria may lead to the early redemption of the notes.

If as a consequence of an amendment to, clarification of or change in the assessment criteria or a change in the interpretation thereof which becomes effective on or after the Issue Date, the notes are no longer eligible for the same or higher category of equity credit attributed to such notes at the date of their issue, we may redeem all (but not part) of the notes of such series as provided in "Description of the Notes."

Changes in Japanese tax law may lead to the early redemption of the notes.

Under Japanese tax law as currently applied, it is expected that we will be entitled to claim a deduction in respect of computing our tax liabilities in Japan in respect of our obligation to make interest payments on the notes, and that such deduction may be set off against the profits of companies with which we are grouped for applicable Japanese tax purposes if we adopt a consolidated tax system. If, as a result of a Tax Law Change (as defined in "Description of the Notes"), in respect of our obligation to make any interest payment on the next following interest payment date on the notes, (i) we would not be entitled to claim a deduction in respect of computing our taxation liabilities in Japan, or such entitlement is reduced as compared to such entitlement as of the Issue Date or (ii) in respect of our obligation to make any interest payment on the next following interest payment date, we would not be entitled to have such deduction set against the profits of companies with which we are grouped for applicable Japanese tax purposes, we may redeem all (but not part) of the notes of such series as provided in "Description of the Notes." A change in Japanese tax law could also result in a Withholding Tax Event occurring, in which case we may redeem all (but not part) of the notes of a series.

Changes in accounting principles may lead to the early redemption of the notes.

We expect to treat the notes as equity for purposes of IFRS. If, as a result of a change in accounting principles which has been officially adopted after the Issue Date or a change in the interpretation thereof (such change an "Accounting Event Change"), but not otherwise, our obligations under the notes following the official adoption or change in interpretation, as applicable, must not, or may no longer be recorded as "equity" in our audited annual consolidated financial statements prepared in accordance with IFRS or any other accounting standards that we may duly adopt in the future for the preparation of our audited annual consolidated financial statements in accordance with the law of Japan, we may redeem all (but not part) of the notes as provided in "Description of the Notes."

If we are unable to comply with the restrictions and covenants in our debt agreements, there could be a default under the terms of these agreements, which could cause repayment of our debt to be accelerated.

If we are unable to comply with the restrictions and covenants in our current or future debt and other agreements, there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to us, accelerate repayment of the debt and declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Furthermore, some of our debt agreements contain cross-acceleration or cross-default provisions. As a result, our default under one debt agreement may cause the acceleration of repayment of debt or result in a default under other debt agreements. If any of these events occur, we cannot assure you that our assets and cash flow would be sufficient to repay in full all of our indebtedness, or that we would be able to find alternative financing. Even if we could obtain alternative financing, we cannot assure you that it would be on terms that are favorable or acceptable to us. Furthermore, such acceleration with respect to other debt agreements would not automatically trigger any requirement for us to make any payments with respect to the notes. Moreover, a court of competent jurisdiction may institute proceedings constituting a Subordination Event or a Claim Rights Termination Event under the notes, which may materially and adversely affect or, in the case of a Claim Rights Termination Event, terminate, the ability of holders of the notes to recover any amounts from us.

Japanese insolvency laws may be different from, and not as favorable to you as, insolvency laws in other jurisdictions.

We are incorporated in Japan and, consequently, will be subject to Japanese laws and procedures affecting debtors and creditors, such as bankruptcy, corporate reorganization, civil rehabilitation or special liquidation proceedings. Under the Bankruptcy Act of Japan (Act No. 75 of 2004, as amended), a petition for the commencement of bankruptcy proceedings may be filed with a court by us or any of our directors or creditors if we are generally and continuously unable to pay our debts as they become due because of a lack of ability to pay or if our liabilities exceed our assets. Under the Corporate Reorganization Act of Japan (Act No. 154 of 2002, as amended), a petition for the commencement of corporate reorganization proceedings may be filed with a court by

us or certain qualified shareholders or creditors if it is likely that any of the grounds for bankruptcy as described above will arise, although the rights of holders shall be limited in the manner described under "—Holders have limited remedies in the event that we do not pay interest on the notes" and as more particularly described in "Description of the Notes." In addition, we may file a petition for the commencement of corporate reorganization proceedings if it is likely that the payment of a debt which becomes due would cause serious impediments to our continued business operations. Under the Civil Rehabilitation Act of Japan (Act No. 225 of 1999, as amended), a petition for the commencement of civil rehabilitation proceedings may be filed with a court by us or any of our creditors if it is likely that we face any of the grounds for bankruptcy as described above, although the rights of holders shall be limited in the manner described under "—Holders have limited remedies in the event that we do not pay interest on the notes" and as more particularly described in "Description of the Notes." A petition for civil rehabilitation may be also filed by us if we are unable to make any payments as they become due without causing any material obstruction to the continuation of our business. Under the Companies Act of Japan (Act No. 86 of 2005, as amended) (the "Companies Act"), a petition for the commencement of special liquidation proceedings may be filed with a court by any of our creditors, liquidators, audit and supervisory board members or shareholders if, after liquidation proceedings have commenced, circumstances exist which would seriously impede the carrying out of our liquidation or if there exists any possibility or doubt that our liabilities exceed our assets. The court will be required to order the commencement of bankruptcy proceedings at its initiative if, after a special liquidation has been commenced, the court determines that there exists a fact which constitutes a cause of commencement of the bankruptcy proceedings while: (i) there is no prospect of entering into a settlement agreement; (ii) there is no prospect of performing a settlement agreement; or (iii) the special liquidation conflicts with the general interest of the creditors.

Under Japanese insolvency laws, no party (including, without limitation, any director of a company) is expressly obligated to file for the commencement of insolvency proceedings in any particular circumstance (except that liquidators are required to file for the commencement of special liquidation proceedings or bankruptcy proceedings in certain circumstances). However, our directors are subject to general fiduciary duties and duties of care of a "good manager" under the Companies Act of Japan, and may file for the commencement of insolvency proceedings when a cause for insolvency arises (which involves the consideration of various factors). Creditors may also file for these proceedings in the manner described above. If, based on a petition for the commencement of bankruptcy proceedings, a court orders the commencement of such bankruptcy proceedings, a trustee in bankruptcy (*hasan kanzainin*) would ordinarily be appointed to administer our operations, realize all assets belonging to the bankruptcy estate and make distributions to creditors. If, based on a petition for the commencement of corporate reorganization proceedings, a court orders the commencement of such reorganization proceedings, a reorganization administrator (*kousei kanzainin*) would ordinarily be appointed to take over our operations, assess all assets and liabilities, propose a reorganization plan and, if the plan is approved by our creditors and confirmed by the court, transfer management responsibilities to the new management under the plan. If, based on a petition for the commencement of civil rehabilitation proceedings, a court orders the commencement of such rehabilitation proceedings, our directors would usually remain in position (subject to supervision by a court appointed rehabilitation supervisor (*kantoku i-in*)), to propose a rehabilitation plan and, if approved by our creditors and confirmed by the court, execute the plan. If, based on a petition for the commencement of special liquidation proceedings, a court orders the commencement of such special liquidation proceedings, a liquidator (*seisan-nin*) will, under court supervision, liquidate all remaining assets and liabilities and make distributions to creditors under a settlement agreement approved by our creditors and confirmed by the court. In each such case, holders will rank junior to all Senior Obligations in the manner set out under "—Our obligations under the notes are subordinated, and will be terminated completely upon the occurrence of a Claim Rights Termination Event" and as more particularly described in "Description of the Notes."

Payments made to the holders of the notes may be avoided in insolvency proceedings (except for special liquidation proceedings) by the bankruptcy trustee, reorganization administrator or rehabilitation supervisor pursuant to their "right of avoidance" (*hi-nin ken*) as a fraudulent conveyance or voidable preference if any payment is made under financially distressed situations.

The notes, upon a Subordination Event, are expressed to rank pari passu with all Parity Obligations of the Company and any other unsecured subordinated bonds with interest deferrable clause and early redeemable option (with a subordination provision) (*ribarai kurinobe jyoukou kigen zen shoukan jyoukou tsuki mu tanpo shasai* (*retsugo tokuyaku tsuki*)) issued from time to time). Upon a Claim Rights Termination Event, we will have no obligations whatsoever on the notes.

The ratings of the notes are subjective in nature and could be lowered.

It is expected that the notes will be rated B by S&P, BBB- by R&I, and BBB by JCR. Other rating agencies may assign credit ratings to the notes without solicitation from or provision of information by us. Ratings are limited in scope, and do not address all material risks relating to an investment in the notes, and reflect only the subjective view of the relevant rating agency at the time the rating is issued. There is no assurance that any credit ratings issued will remain in effect for any given period of time or that such ratings will not be lowered, suspended or withdrawn entirely by the rating agencies, if, in the relevant rating agency's judgment, circumstances so warrant. In particular, on December 21, 2022, S&P announced its downgrade of our long-term issuer credit and senior unsecured debt ratings and of our subordinated bonds. On March 16, 2023, R&I also announced its downgrade of our issuer rating and those of *Rakuten Card* and *Rakuten Securities*. Most recently, on June 21, 2023, JCR announced its lowering of our long-term issuer rating and our subordinated bonds rating. See "—Risks Relating to Our Business Generally—If we are unable to raise additional funds through bonds or borrowings or refinance existing indebtedness on acceptable terms in the future, due to a ratings downgrade or otherwise, if we are unable to engage in securitization transactions, particularly with respect to *Rakuten Card* or *Rakuten Mobile*, or if we are otherwise unable to raise funds as we desire, our business, financial condition and results of operations could be adversely affected" for a discussion of the most recent developments relating to our credit ratings. A downgrade or potential downgrade in existing ratings or the assignment of new ratings that are lower than existing ratings could reduce the population of potential investors in the notes and adversely affect the price and liquidity of the notes. A rating is based upon information furnished by us or obtained by the rating agency from its own sources and is subject to revision, suspension or withdrawal by the rating agency at any time.

The notes are unsecured obligations.

The notes are unsecured obligations and repayment of the notes may be compromised if, among other things:

- we enter into bankruptcy, liquidation, rehabilitation or other winding-up proceedings;
- we default in payment of our secured indebtedness or other unsecured indebtedness; or
- any of our indebtedness is accelerated.

If any of these events occurs, then our assets may be insufficient to pay amounts due on the notes.

The notes are subject to transfer restrictions.

The notes will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except to QIBs in reliance on the exemption provided by Rule 144A, or pursuant to another exemption from, or in another transaction not subject to, the registration requirements of the Securities Act and in accordance with applicable state securities laws. In addition, subject to the conditions set forth herein and in the Indenture, the notes may be transferred only if the principal amount of the notes transferred is at least $200,000. For further discussion of the transfer restrictions applicable to the notes, see "Transfer Restrictions."

It is unclear whether we are currently, or will be in the future, classified as a passive foreign investment company ("PFIC"). Such classification could result in adverse United States federal income tax consequences to United States investors.

The determination of whether or not we are a PFIC is made on an annual basis and will depend on the composition of our income and assets and the valuation of our assets from time to time. Specifically, we will be classified as a PFIC for United States federal income tax purposes for any taxable year if, after applying certain look-through rules, either: (1) 75% or more of our gross income in the taxable year is passive income (the "income test"), or (2) the average percentage of our assets by value in the taxable year which produce or are held for the production of passive income (which generally includes cash) is at least 50% (the "asset test").

Based on a review of our current and projected assets and income, we are unable to express any expectation as to whether we will be classified as a PFIC for the current taxable year or in future taxable years. This is due to the fact that we and our subsidiaries hold a substantial amount of passive and active assets, and it is therefore possible that we may be classified as a PFIC under the asset test described above (although we currently believe that we would not be a PFIC under the income test described above).

In addition, the risk that we could be classified as a PFIC either in the current taxable year or in a future taxable year could increase based on a number of factors. More specifically, we currently believe that our subsidiary *Rakuten Bank* qualifies for special rules that treats certain income recognized by a bank in the active conduct of a banking business as active income for PFIC purposes (the "active bank exception"). It is possible, however, that *Rakuten Bank* may not satisfy the requirements of the active bank exception in the current or a future taxable year, or that the IRS may issue guidance in the future under which *Rakuten Bank* would not satisfy the requirements of the active bank exception. Moreover, our other non-bank subsidiaries hold a substantial amount of assets that would not qualify as active assets under the active bank exception, and our PFIC status could be adversely impacted if the proportion of such passive assets held by our subsidiaries were to materially increase. Finally, our active assets include a significant amount of goodwill, which may be calculated based on the market value of our shares and which would decline if such market value were to decline. Accordingly, even if we are currently not a PFIC, it is possible that we could become a PFIC in a future taxable year.

If we are or were to become a PFIC, U.S. holders (as defined below under "Taxation—United States Taxation") of the notes may be subject to adverse United States federal income tax consequences and burdensome reporting requirements. See the discussion below under "Taxation—United States Taxation" for a further discussion of the possible application of the PFIC rules to a U.S. holder of the notes.

USE OF PROCEEDS

We estimate that the net proceeds that we will receive from the offering of the notes will be approximately $538 million, after deducting initial purchasers' discounts and estimated offering expenses payable by us. We intend to use the net proceeds from the sale of the notes to redeem or otherwise repurchase and cancel ¥50 billion aggregate principal amount of 1.81% subordinated notes due November 4, 2055 and ¥26 billion aggregate principal amount of 2.61% subordinated notes due December 13, 2055, in each case on or prior to their respective first call dates. Any remaining proceeds from the offering are expected to be used for general corporate purposes, including to repurchase or redeem Rakuten Group, Inc.'s outstanding senior notes.

Certain affiliates of Mizuho Securities USA LLC, Goldman Sachs & Co. LLC and SMBC Nikko Securities America, Inc., each of whom are acting as initial purchasers, hold a portion of the subordinated notes which will be redeemed or repurchased with the proceeds from the sale of the notes. See "Plan of Distribution—Other Relationships."

CAPITALIZATION AND INDEBTEDNESS

The following table sets forth our consolidated indebtedness and capitalization as of September 30, 2024 on an actual basis and on an as adjusted basis to give effect to the offering and sale of the notes, but not the use of proceeds thereof. See "Use of Proceeds." As the notes are expected to be treated as equity for purposes of IFRS, they are shown as a component of equity below.

The information in the table below should be read together with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and related notes included elsewhere in this offering circular.

	As of September 30, 2024	
	Actual	As Adjusted
	(in millions of yen)	
Debt:		
Bonds and borrowings	¥ 2,150,376	¥ 2,150,376
Borrowings for securities business	135,000	135,000
Bonds and borrowings for credit card business	608,355	608,355
Borrowings for banking business	2,670,041	2,670,041
Total indebtedness	5,563,772	5,563,772
Equity[1][3]:		
Equity attributable to owners of the Company		
Common stock	451,294	451,294
Authorized—3,941,800,000 shares		
Issued—2,151,545,900 shares		
Capital surplus	549,018	549,018
Other equity instruments	317,316	317,316
Retained earnings	(806,194)	(806,194)
Treasury stock—3,652 shares	(3)	(3)
Other components of equity	184,550	184,550
Total equity attributable to owners of the Company	695,981	695,981
Subordinated notes offered hereby[2]	—	78,997
Non-controlling interests	274,623	274,623
Total equity	970,604	1,049,601
Total capitalization and indebtedness	¥ 6,534,376	¥ 6,613,373

Notes:

(1) On February 27, 2024, our board of directors resolved to make a proposal, which was later approved at the 27th annual general shareholders meeting held on March 28, 2024, to partially amend our articles of incorporation to authorize the issuance of bond-type class shares in the following numbers, in addition to common stock:

- Series 1 Bond-type Class Shares: 75,000,000 shares
- Series 2 Bond-type Class Shares: 75,000,000 shares
- Series 3 Bond-type Class Shares: 75,000,000 shares
- Series 4 Bond-type Class Shares: 75,000,000 shares
- Series 5 Bond-type Class Shares: 75,000,000 shares

None of these bond-type class shares have been issued as of the date of this offering circular, and these authorized shares have not been reflected in the table above.

Also on February 27, 2024, our board of directors resolved to file a shelf registration statement for Series 1 Bond-type Class Shares, and we filed the shelf registration statement for up to ¥100 billion yen of Series 1 Bond-type Class Shares on the same date. The conditions of issuance and the total amount of Series 1 Bond-type Class Shares to be issued have not yet been determined. In addition, the specific time of issuance of bond-type class shares, including the Series 1 Bond-type Class Shares, has also not been determined.

(2) The "as-adjusted" amount represents the aggregate principal amount of the notes. Dollar amounts translated into yen have been translated at the rate of ¥143.63 = $1.00, the rate as of September 30, 2024 as reported by Bloomberg L.P.

(3) Due to a continued decline in our voting rights ratio and further changes in the composition of AST's Board of Directors, we have determined that we have lost significant influence over AST SpaceMobile. On October 11, 2024, we announced that we will account for our shares in AST SpaceMobile, which we previously accounted for using the equity method, as financial assets measured at fair value through other comprehensive income, starting from October 11, 2024. As a result of this change in accounting treatment, the difference between the fair value of AST SpaceMobile shares as of the date of the change and the equity method book value on a consolidated basis, which will be recorded in "Other income" in the amount of approximately ¥106,906 million, will also lead to an increase in total equity by the same amount (adding or subtracting any further change in fair value through other comprehensive income) in the consolidated financial statements for the fourth quarter of the fiscal year ending December 31, 2024.

Other than as described above, there has been no material change in our consolidated capitalization and indebtedness since September 30, 2024.

SELECTED FINANCIAL AND OTHER DATA

The following tables set forth our selected financial and other data. The data below should be read together with, and is qualified in its entirety by, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes included elsewhere in this offering circular. Our consolidated financial statements are prepared in accordance with IFRS, which differs in certain significant respects from accounting principles generally accepted in other countries, including U.S. GAAP and Japanese GAAP.

Included below are selected consolidated financial data as of and for the years ended December 31, 2019, 2020, 2021, 2022 and 2023 and as of and for the nine-month periods ended September 30, 2023 and 2024.

The selected consolidated financial data as of and for the years ended December 31, 2021, 2022 and 2023 has been derived from and should be read together with our audited consolidated financial statements, prepared in accordance with IFRS, which are included elsewhere in this offering circular, except that certain information for the year ended December 31, 2021 and 2022 has been restated as described under "Presentation of Financial and Other Information—Note Regarding Comparability of Financial Information." The selected consolidated financial data as of and for the year ended December 31, 2019 and 2020 has been derived from our audited consolidated financial statements not included in this offering circular, except that certain information for such year has been restated as described under "Presentation of Financial and Other Information—Note Regarding Comparability of Financial Information."

Financial information as of September 30, 2024 and for the nine-month periods ended September 30, 2023 and 2024 is derived from and should be read together with our unaudited condensed quarterly consolidated financial statements prepared based on IFRS, which are included elsewhere in this offering circular. See "Presentation of Financial and Other Information" for the details. Financial information as of September 30, 2023 has been derived from our unaudited condensed consolidated quarterly consolidated financial statements not included in this offering circular.

Effective from January 1, 2023, we adopted IFRS 17. As a result, our financial information as of and for the years ended after the dates of adoption may not be directly comparable with our financial information for prior periods.

The historical results presented below are not necessarily indicative of results that you can expect for any future period.

	As of and for the year ended December 31,					As of and for the nine-month period ended September 30,	
	2019	2020	2021	2022	2023	2023	2024
	(in millions of yen, except ratios)						
Selected Consolidated Statement of Income Information:							
Revenue[1]:							
Internet Services segment	¥ 788,460	¥ 885,482	¥ 1,013,615	¥ 1,103,807	¥ 1,212,314	¥ 867,016	¥ 904,169
FinTech segment	486,372	576,195	619,048	651,944	725,165	533,589	604,383
Mobile segment	123,860	158,299	213,082	350,734	364,556	265,086	300,788
Adjustments[2]	(134,760)	(164,438)	(163,988)	(185,591)	(230,720)	(174,452)	(191,719)
Total	1,263,932	1,455,538	1,681,757	1,920,894	2,071,315	1,491,239	1,617,621
Operating expenses	1,266,902	1,579,630	1,966,419	2,254,857	2,234,959	1,651,698	1,659,095
Other income	86,901	54,483	108,037	8,372	10,272	7,897	12,674
Other expenses	11,186	24,240	18,101	46,021	59,485	27,016	22,266
Operating income (loss)	72,745	(93,849)	(194,726)	(371,612)	(212,857)	(179,578)	(51,066)
Financial income	3,642	60,150	18,904	115,432	73,417	67,971	40,893
Financial expenses	9,027	79,607	38,642	156,884	64,570	57,814	80,936
Share of income (losses) of investments in associates and joint ventures[3]	(111,918)	(37,710)	1,834	(2,548)	(13,731)	(11,023)	(6,975)
Income (loss) before income tax	(44,558)	(151,016)	(212,630)	(415,612)	(217,741)	(180,444)	(98,084)
Income tax expense (benefit)	(11,490)	(35,178)	(76,804)	(35,368)	111,794	21,944	29,057
Net income (loss)	¥ (33,068)	¥ (115,838)	¥ (135,826)	¥ (380,244)	¥ (329,535)	¥ (202,388)	¥ (127,141)
Net income (loss) attributable to owners of the company	¥ (31,888)	¥ (114,199)	¥ (133,828)	¥ (377,217)	¥ (339,473)	¥ (208,447)	¥ (150,358)
Net income (loss) attributable to non-controlling interests	(1,180)	(1,639)	(1,998)	(3,027)	9,938	6,059	23,217
Selected Consolidated Statement of Financial Position Data:							
Cash and cash equivalents	¥1,478,557	¥ 3,021,306	¥ 4,410,301	¥ 4,694,360	¥ 5,127,674	¥ 4,704,818	¥ 5,886,875
Accounts receivable – trade	222,485	243,886	307,821	364,186	377,992	327,608	340,372
Property, plant and equipment	376,424	684,110	975,362	1,262,115	1,267,837	1,270,229	1,208,523
Intangible assets	609,450	639,589	858,997	954,698	1,024,201	1,044,807	1,049,403
Goodwill	355,401	356,359	477,770	559,003	594,472	622,455	603,188
Total assets	9,165,697	12,524,438	16,831,221	20,402,281	22,625,576	21,640,993	24,879,684
Bonds and borrowings[4]	1,727,096	2,487,457	1,355,255	1,760,781	1,637,980	1,740,047	2,150,376
Borrowings for securities business[4]	na	na	207,505	157,542	106,578	131,569	135,000
Bonds and borrowings for credit card business[4]	na	na	733,852	812,738	603,869	621,568	608,355
Borrowings for banking business[4]	na	na	1,106,300	2,181,689	2,446,746	2,320,124	2,670,041
Total liabilities	8,428,497	11,895,424	15,713,931	19,553,570	21,537,853	20,509,810	23,909,080
Total equity attributable to owners of the company	735,672	608,738	1,093,719	791,351	836,572	975,810	695,981
Non-controlling interests	1,528	20,276	23,571	57,360	251,151	155,373	274,623
Total equity	737,200	629,014	1,117,290	848,711	1,087,723	1,131,183	970,604
Ratios:							
Shareholders' equity ratio[5]	8.0%	5.0%	6.6%	4.2%	4.8%	5.2%	3.9%

Notes:

(1) The segment information presented herein reflects various adjustments and changes, including segment reorganizations, changes in measurement methods of segment revenue and segment profit (loss), changes in point allocation methodologies, and the adoption of IFRS 17. For explanations of these adjustments and changes and their effect on the segment information, see "Presentation of Financial and Other Information—Note Regarding Comparability of Financial Information."

(2) Adjustments mainly include elimination of intercompany transactions and management fees.

(3) Share of loss of associates and joint ventures for the year ended December 31, 2019 includes an impairment loss of ¥102.9 billion related to our investment in Lyft, Inc. as a result of a significant decline in the market price of Lyft, Inc.'s shares.

(4) "Borrowings for banking business," which was included in "Bonds and borrowings" in the years ended December 31, 2019, 2020 and 2021, is separately disclosed from the end of the second quarter ended June 30, 2022 to enhance clarity of presentation. In addition, "Borrowings for securities business" and "Bonds and borrowings for credit card business," which were included in "Bonds and borrowings" in the years ended December 31, 2019, 2020 and 2021, are separately disclosed from the end of the third quarter ended September 30, 2022 to enhance clarity of presentation. The corresponding amounts for the year

ended December 31, 2021 have been reclassified. As a result, ¥3,402,912 million presented as "Bonds and borrowings" in our audited consolidated statements as of and for the year ended December 31, 2021 has been reclassified as "Bonds and borrowings" of ¥1,355,255 million, "Borrowings for securities business" of ¥207,505 million, "Bonds and borrowings for credit card business" of ¥733,852 million and "Borrowings for banking business" of ¥1,106,300 million. Data for the periods ending on or before December 31, 2020 have not been restated.

(5) Shareholders' equity ratio = total equity / total assets.

Non-GAAP Financial Measures[1]:

	For the year ended December 31,					For the nine-month period ended September 30,	
	2019	2020	2021	2022	2023	2023	2024
	(in millions of yen)						
Segment profit (loss):							
Internet Services segment	¥ 104,579	¥ 22,904	¥ 94,414	¥ 64,630	¥ 76,831	¥ 36,187	¥ 47,408
Includes: Domestic E-commerce business ...	46,285	49,982	69,594	95,083	102,527	69,941	68,238
Others	58,294	(27,078)	24,820	(30,453)	(25,697)	(33,755)	(20,830)
FinTech segment.....	69,306	81,291	89,120	89,840	122,915	79,401	114,705
Mobile segment	(73,898)	(213,244)	(412,235)	(479,257)	(337,524)	(250,713)	(168,185)
Adjustments[2]	(4,858)	6,381	3,702	(10,405)	(15,263)	(14,334)	(18,860)
Total non-GAAP operating income (loss)[3]	¥ 95,129	¥ (102,667)	¥ (224,999)	¥ (335,192)	¥ (153,041)	¥ (149,459)	¥ (24,931)

	For the year ended December 31,					For the nine-month period ended September 30,	
	2019	2020	2021	2022	2023	2023	2024
	(in millions of yen)						
Adjusted EBITDA[4]:							
Internet Services segment	¥ 133,822	¥ 62,770	¥ 128,733	¥ 99,462	¥ 116,177	¥ 64,394	¥ 76,388
Includes: Domestic E-commerce business ...	63,263	72,047	89,451	113,493	122,847	85,028	84,253
Others	70,559	(9,277)	39,281	(14,031)	(6,669)	(20,634)	(7,865)
FinTech segment.....	102,215	123,940	137,051	143,529	180,970	122,563	161,494
Mobile segment	(54,969)	(168,997)	(329,614)	(338,986)	(179,071)	(133,393)	(40,477)
Adjustments[4]	15,669	29,473	32,435	26,077	30,102	19,153	14,336
Total	¥ 196,736	¥ 47,186	¥ (31,395)	¥ (69,918)	¥ 148,178	¥ 72,719	¥ 211,742

Notes:

(1) The segment information presented herein reflects various adjustments and changes, including segment reorganizations, changes in measurement methods of segment revenue and segment profit (loss), changes in point allocation methodologies, and the adoption of IFRS 17. For explanations of these adjustments and changes and their effect on the segment information, see "Presentation of Financial and Other Information—Note Regarding Comparability of Financial Information."

(2) Adjustments mainly include consolidation adjustments and management fees.

(3) Non-GAAP operating income = operating income + amortization of acquisition-related intangible assets + stock-based compensation expense + other items. For further information regarding non-GAAP operating income, including reconciliations to the closest comparable measures presented in accordance with IFRS, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Adjusted/Non-GAAP Financial Measures—Non-GAAP Operating Income."

(4) Adjusted EBITDA = operating income + depreciation and amortization + stock-based compensation expense + disposal and impairment + adjustments. For further information regarding adjusted EBITDA, including reconciliations to the closest comparable measures presented in accordance with IFRS, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Adjusted/Non-GAAP Financial Measures—Adjusted EBITDA."

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations should be read in conjunction with the consolidated financial statements and related notes included elsewhere in this offering circular. Our financial statements are prepared in conformity with IFRS, which differ in certain significant respects from accounting principles generally accepted in other jurisdictions, including U.S. GAAP and Japanese GAAP. The presentation in this section contains forward-looking statements that involve risks, uncertainties and assumptions, and are subject to the qualifications set forth under "Forward-Looking Statements." Our actual results may differ materially from those anticipated in these forward-looking statements as a result of a number of factors, including but not limited to those set forth under "Risk Factors" and elsewhere in this offering circular.

Overview

We are one of Japan's leading Internet companies. Under the concept of "single brand, single membership," we seek to integrate our core businesses as part of our "Rakuten Ecosystem" business model through which Rakuten members can access a wide variety of our services with a single Rakuten ID and participate in a single loyalty program. We began operations in 1997 as one of the first e-commerce platforms in Japan and have expanded our operations to include a broad range of e-commerce services as well as credit card, securities, banking, insurance, mobile operator, and other online financial services and digital content and other businesses.

We categorize our businesses into the following three reporting segments:

- *Internet Services*. Our Internet Services segment includes our primary e-commerce marketplace business, *Rakuten Ichiba*, our online travel business and our e-book business. In addition, this segment also includes our overseas e-commerce businesses and various other Internet services, including our performance marketing services, digital content businesses, online cash back services and our mobile messaging and VoIP services through *Rakuten Viber*. This segment also includes our professional sports business.

- *FinTech*. Our FinTech segment includes our credit card business provided through *Rakuten Card*, digital banking services provided through *Rakuten Bank* and online brokerage services provided through *Rakuten Securities*. In addition, this segment also includes life insurance products and services provided by *Rakuten Life Insurance* and online general insurance products and services provided by *Rakuten General Insurance*, as well as our payments businesses, including *Rakuten Payment* and *Rakuten Edy*, our service to provide online and offline retailers with credit card payment settlement services, and our crypto asset trading business, *Rakuten Wallet*.

- *Mobile*. Our Mobile segment includes *Rakuten Mobile*, which is primarily based on our MNO business. We previously also offered an MVNO service that allowed users to purchase a SIM card and access the wireless network infrastructures of third-party MNOs, but we no longer offer this service to new customers and are in the process of migrating our existing MVNO customers to the *Rakuten Mobile* network that is used for our MNO business. Our Mobile segment also includes *Rakuten Energy*, which operates in the retail electricity supply market.

The Mobile segment was added from the three-month period ended March 31, 2019 in connection with our corporate reorganization effective April 1, 2019. From the three-month period ended December 31, 2020, in order to enhance collaboration and synergy between digital content services and mobile services, our digital content businesses were transferred from the Internet Services segment to the Mobile segment. In the year ended December 31, 2020, we moved our mobile messaging and VoIP services business to the Mobile segment. Subsequently, in the year ended December 31, 2021, our North American content businesses and our mobile messaging and VoIP services were moved to the Internet Services segment. Beginning in the three-month period ended March 31, 2023, certain media and entertainment businesses and subsidiaries previously included in our Mobile segment were transferred to our Internet Services segment. See "Presentation of Financial and Other Information—Note Regarding Comparability of Financial Information—Segment Reorganizations—2023 Segment Reorganizations." Historically, our operations in Japan have generated a substantial majority of our revenue. We have gradually expanded our business outside our home market of Japan, and we have also continued to expand our operations into a variety of businesses, particularly, in recent years, mobile telecommunications and related businesses.

Recent Developments

Transfer of Viber Media S.a.r.l. Shares

On November 29, 2024, our board of directors approved a corporate reorganization involving the transfer of all shares of Viber Media S.a.r.l., a wholly owned subsidiary, to another wholly owned subsidiary, Rakuten Asia Pte. Ltd. Viber Media S.a.r.l. operates the messaging app *Rakuten Viber*. This transfer is aimed at leveraging Rakuten Asia Pte. Ltd.'s regional management capabilities to accelerate *Rakuten Viber*'s expansion in the rapidly growing Asian market. As a result of this transfer, we expect to record a special profit of approximately ¥100 billion from the sale of subsidiary shares in our non-consolidated financial statements for the fiscal year ending December 31, 2024. However, as this is an intra-group transaction, we do not expect any impact on our consolidated financial results.

Strategic Alliance between Rakuten Card and Mizuho Financial Group and Business Alliance Among Rakuten Group, Rakuten Card, Mizuho Financial Group, Mizuho Bank, UC Card and Orient Corporation to Transform Digital Payments in Japan

On September 30, 2024, we announced that *Rakuten Card* and Mizuho Financial Group, Inc. agreed to consider a new strategic capital and business alliance. Further to this announcement, Rakuten group and Mizuho Financial Group concluded a share sale agreement on November 13, 2024, pursuant to which Mizuho Financial Group agreed to purchase 14.99% of the outstanding shares of *Rakuten Card* for a purchase price of ¥164,997 million, as well as a related shareholder agreement in respect of the shares of *Rakuten Card*. This purchase was completed on December 1, 2024. We expect that *Rakuten Card* will continue to be a consolidated subsidiary of Rakuten Group, Inc. Rakuten Insurance Holdings Co., Ltd., previously a 100% consolidated subsidiary of *Rakuten Card*, will not be included in the alliance and its shares have been transferred to Rakuten Group, Inc. See "Business—Our Business Operations—FinTech Segment—Credit Card Business—Strategic Capital and Business Alliance between *Rakuten Card* and Mizuho Financial Group, Inc. and Business Alliance Among Rakuten Group, *Rakuten Card*, Mizuho Financial Group, Mizuho Bank, UC Card and Orient Corporation." In connection with this transaction, we will record a special profit of ¥159,353 million from the gain on the sale of affiliated companies in our non-consolidated financial statements for the year ending December 31, 2024. Our ownership interest in *Rakuten Card* has been reduced to 85.01%, and our interest in any dividends declared by *Rakuten Card* in the future will be proportionately reduced. *Rakuten Card* remains our consolidated subsidiary after the share sale. On the other hand, we expect that the transaction will result in *Rakuten Card*'s removal from our consolidated taxation group. See "Risk Factors—Risks Relating to Our Business Generally—Our financial condition and results of operations will be adversely affected if we are required to reduce our deferred tax assets, including as a result of changes in expectations for *Rakuten Mobile*."

In connection with this transaction, on November 13, 2024, Rakuten Group, Inc., *Rakuten Card*, Mizuho Financial Group, Inc., Mizuho Bank, Ltd., UC Card Co., Ltd. and Orient Corporation, announced the formation of a business alliance that aims to transform Japan's digital payment landscape. See "Business—Our Business Operations—FinTech Segment—Business Alliance Among Rakuten Group, *Rakuten Card*, Mizuho Financial Group, Mizuho Bank, UC Card and Orient Corporation to Transform Digital Payments in Japan."

Partial Settlement of Prepaid Variable Share Forward Transactions of Shares of Lyft, Inc.

On November 13, 2024, our board of directors decided to settle a part of the financing for the prepaid variable share forward transactions of shares of Lyft, Inc. and cancel the associated derivative using shares of Lyft, Inc. As a result, in the three-month period ending December 31, 2024, liabilities associated with the financing using shares of Lyft, Inc. recorded in "Other financial liabilities," the derivatives associated with the collar agreement involving shares of Lyft, Inc. recorded in "Derivative assets" and the balance of shares of Lyft, Inc. recorded in "Investment securities" will decrease, with profit or loss due to early cancellation of part of the contract expected to be recorded in "Financial income" or "Financial expenses." The impact of such transactions on our results of operations will depend on the price of the shares of Lyft, Inc. on the date of settlement. Because the shares are held in our consolidated subsidiary, Liberty Holdco Ltd., gains or losses recorded on a non-consolidated basis at Rakuten Group, Inc. would be offset against those recorded on a consolidated basis.

Launch of Rakuten Mobile's Commercial Services Using the 700 MHz "Platinum Band"

On June 27, 2024, *Rakuten Mobile* announced that it started providing commercial services using the "platinum band" 700 MHz spectrum allocated by the MIC. *Rakuten Mobile* has rolled out commercial services in

the 700 MHz band, leveraging the expertise gained from building out its nationwide fully virtualized, cloud-native mobile network based on Open RAN standards in the 1.7 GHz band. In addition to deploying 700 MHz base stations, *Rakuten Mobile* seeks to expand its 5G (Sub6) network coverage in the Kanto region up to 60% compared to January 2024 by the end of 2024, as the regulatory restrictions aimed at preventing interference between mobile and satellite communications in shared bandwidth have been relaxed. Furthermore, *Rakuten Mobile* is seeking to continue improving its 5G network speed and stability through software upgrades for its nationwide network of 5G (Sub6) base stations, and expects to enable smoother transitioning between 4G and 5G through the optimization of base station parameters.

Change in Accounting Treatment for the Shares of AST SpaceMobile

Previously, we accounted for our shares in AST SpaceMobile using the equity method given the significant influence we exerted over AST SpaceMobile, including the dispatch of directors to its Board of Directors. In recent years, however, due to a continued decline in our voting rights ratio and further changes to the composition of AST SpaceMobile's Board of Directors, we have determined that we have lost significant influence over the company. Therefore, on October 11, 2024, we announced that we will no longer account for our shares in AST SpaceMobile using the equity method, but as financial assets measured at fair value through other comprehensive income starting from October 11, 2024. As a result of this change in accounting treatment, the difference between the fair value of AST SpaceMobile shares (Level 1 inputs) as of the date of the change, and the equity method book value on a consolidated basis, will be recorded in "Other income" in the amount of approximately ¥106,906 million in the consolidated financial statements for the fourth quarter of the fiscal year ending December 31, 2024.

Internal Restructuring of FinTech Segment, Memorandum of Understanding Regarding Further Reorganization of FinTech Businesses and Subsequent Cancellation of Further Reorganization

Effective on November 1, 2023, (i) the *Rakuten Pay* (online payments) business and *Rakuten Point* business (which had been included in the Internet Services segment) were transferred to our consolidated subsidiary *Rakuten Payment* via a company split, and (ii) all shares of *Rakuten Payment* held by Rakuten Group, Inc. (95.28% of the total number of issued shares of *Rakuten Payment*), were transferred to *Rakuten Card*. By placing *Rakuten Pay* and these businesses under the umbrella of *Rakuten Card*, our main payments subsidiary, we are seeking to increase synergies within the FinTech segment and to improve the transparency of the segment overall, helping our growth strategies succeed and contributing to our overall corporate value. Following the reorganization, we expect that *Rakuten Card* will drive our integrated payments business and we will also consider forming strategic partnerships with third parties and raising additional capital at *Rakuten Card* as necessary. While we believe this internal restructuring will help drive our growth strategies going forward, we do not expect that the reorganization transactions themselves will materially affect our consolidated results of operations other than the transfer of businesses from the Internet Services segment to the FinTech segment.

On April 1, 2024, we and *Rakuten Bank* announced our agreement to initiate discussions for the potential reorganization of certain of our FinTech businesses, including *Rakuten Bank*, *Rakuten Card*, *Rakuten Securities Holdings* (and its subsidiaries, such as *Rakuten Securities* but not *Rakuten Wallet*) and *Rakuten Insurance Holdings* and our execution of a memorandum of understanding regarding the reorganization. We and *Rakuten Bank*'s initial expectation was that the reorganization would become effective in October 2024. However, on July 29, 2024, we and *Rakuten Bank* announced that the revised target date for the reorganization to take effect would be January 2025. Subsequently, on September 30, 2024, simultaneously with the announcement of the consideration of a potential capital and business alliance between *Rakuten Card* and Mizuho Financial Group, Inc., we announced that both we and *Rakuten Bank* have concluded that the potential reorganization is not necessarily the best option to achieve further expansion of our FinTech Ecosystem and enhancement of our competitive advantage, and therefore, both parties agreed to cancel the reorganization.

Capital Raise Through Sale and Leaseback of Rakuten Mobile's Mobile Network Assets

On July 25, 2024, *Rakuten Mobile* sold a portion of its mobile network assets to Orchestra G.K., and at the same time, *Rakuten Mobile* entered into a leaseback agreement, pursuant to which *Rakuten Mobile* leased back such mobile network assets in order to continue to operate such mobile network assets. Orchestra G.K. was established by Rakuten group for the purpose of raising funds from investors outside of Rakuten group.

On August 8, 2024, we announced that *Rakuten Mobile* will raise funds through the sale and leaseback of a portion of its mobile network assets with a consortium of global leading infrastructure investors, led by

Macquarie Asset Management and including British Columbia Investment Management Corporation, via the Macquarie Asia-Pacific Infrastructure Fund 3. Through this sale and leaseback transaction, *Rakuten Mobile* raised ¥170 billion at a 6.5% interest rate, with a lease term of 10 years. The proceeds will be used to fund *Rakuten Mobile*'s working capital and capital expenditures.

Investment in Japan Alternative Market K.K.

On August 6, 2024, *Rakuten Securities Holdings* announced its investment in Japan Alternative Market K.K., a newly established company with the purpose of operating a proprietary trading system ("PTS") for securities. On November 19, 2024, Japan Alternative Market K.K. obtained a certification of PTS operation. As of the time of announcement, the plan for Japan Alternative Market K.K. to begin operating its PTS remains undecided.

Offering of Senior Notes and Private Placement of Senior Notes in April 2024

On April 10, 2024, we completed an offering of $2.0 billion aggregate principal amount of 9.75% senior notes due 2029. We plan to use the proceeds from the sale of the notes to fund the redemption and/or repurchase of our senior bonds scheduled to mature in 2024 or later.

On April 24, 2024, we completed a private placement of ¥50.0 billion aggregate principal amount of 6.00% senior notes due 2029. We plan to use the proceeds from the sale of the notes to repay existing bonds.

Amendment to Our Articles of Incorporation Updating Business Purposes and Authorizing Bond-type Class Shares and Shelf Registration of Series 1 Bond-type Class Shares

On February 27, 2024, our board of directors resolved to (i) make a proposal at the annual general meeting of our shareholders to be held on March 28, 2024 to partially amend our Articles of Incorporation to (a) add artificial intelligence as one of our business purposes and (b) authorize "bond-type" class shares and (ii) to file a shelf registration statement for our Series 1 Bond-type Class Shares. The proposed amendments to our Articles of Incorporation were approved by our annual general meeting of shareholders held on March 28, 2024. We believe that an issuance of bond-type class shares would be a useful option as a means of financing that would diversify our potential financial resources while minimizing harm to the interests of existing holders of shares of our common stock. Moreover, this option, if used, would be positive for our credit ratings to the extent that it enhances our equity capital (the class shares are intended to qualify for a certain amount of "equity credit" from the ratings agencies and to be treated as equity for the purposes of our consolidated financial statements, although the amount of equity credit assigned by the ratings agencies will depend on their judgment, while the treatment of the class shares under IFRS will depend on the final terms thereof).

On February 27, 2024, we submitted a shelf registration statement for the offering in Japan of up to ¥100 billion of the Series 1 Bond-type Class Shares. No decision to offer any such securities has been made as of the date of this offering circular, and the total issuance amount and other terms and conditions of any such securities, if offered, have not yet been determined.

Offering of Senior Notes in February 2024 and Repurchase of Existing Notes Maturing in 2024

On February 6, 2024, we completed an offering of $1.8 billion aggregate principal amount of 11.250% senior notes due 2027. A portion of the proceeds from the offering was used to fund concurrent offers to purchase certain of our outstanding securities, consisting of our $950 million aggregate principal amount of 10.250% senior notes scheduled to mature on November 30, 2024 and $800 million aggregate principal amount of 3.546% senior notes scheduled to mature on November 27, 2024. An aggregate of $966,051,000 of such notes were repurchased pursuant to the offers, consisting of $599,607,000 aggregate principal amount of 10.250% senior notes maturing on November 30, 2024 and $366,444,000 aggregate principal amount of 3.546% senior notes maturing on November 27, 2024. We also used a portion of the proceeds to repurchase ¥55.8 billion aggregate principal amount of the then-outstanding total ¥75.0 billion issued amount of our 15th unsecured bonds, which matured December 2, 2024 and were subject to an interest rate of 0.50%. We intend to use the remaining proceeds of the offering to fund offers to repurchase our notes scheduled to mature in 2024 or to otherwise reduce our bonds outstanding.

Impact of Rakuten Mobile

The development, roll-out, launch and expansion of our *Rakuten Mobile* MNO business has been one of our key business strategies in recent years, whereby we seek to turn *Rakuten Mobile* into a significant source of

new earnings and a driver of overall value in the Rakuten Ecosystem, as well as applying the technologies and know-how developed in the roll-out of *Rakuten Mobile* into a new overseas business through *Rakuten Symphony*. However, the development of the MNO business, capital and operating expenditures needed for it and slow growth in our subscriber base have had material adverse effects on our financial condition and results of operations. We recorded segment losses in our Mobile segment of ¥412,235 million, ¥479,257 million and ¥337,524 million, respectively, in the years ended December 31, 2021, 2022 and 2023, which, in each year, was greater than the combined segment profit of our Internet Services and FinTech segments, leading us to record consolidated operating losses and net losses in each such year. On a quarterly basis, Mobile segment operating loss peaked at ¥132,320 million for the three-month period ended March 31, 2022 and has decreased in subsequent quarters. We recorded quarterly operating losses in our Mobile segment of ¥121,533 million, ¥117,591 million, ¥107,812 million, ¥102,662 million, ¥82,431 million, ¥81,204 million, ¥71,227 million, ¥71,928 million, ¥60,641 million and ¥55,501 million respectively, in each case before considering Mobile Ecosystem Contribution, in each of the three-month periods ended from June 30, 2022 to September 30, 2024; however, despite this decreasing trend, these losses were still sizable (and the pace of improvement has fluctuated), and we continued to record consolidated operating losses and net losses during each of these quarters. On the other hand, our adjusted EBITDA on a consolidated basis reached ¥148.2 billion for the year ended December 31, 2023, a change from a loss of ¥69.9 billion as of the fiscal year ended December 31, 2022, and ¥211.7 billion for the nine-month period ended September 30, 2024, and we are seeking further improvements moving forward. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Adjusted/Non-GAAP Financial Measures" for a definition of adjusted EBITDA, a discussion of the relevant adjustments and a reconciliation to the most directly comparable measures presented in accordance with IFRS.

We have made significant capital investments in *Rakuten Mobile*'s MNO network in recent years. For the years ended December 31, 2021, 2022 and 2023 and the nine-month period ended September 30, 2024, our capital investments for our Mobile segment were ¥509.0 billion, ¥418.8 billion, ¥238.5 billion and ¥96.6 billion, respectively, including right-of-use assets. As a result of these significant expenditures, we achieved 4G network coverage (when including the use of base stations on KDDI's network) for approximately 99.9% of the population of Japan as of September 30, 2024, constructing a total of over 60,000 4G outdoor physical base stations as of the same date in order to improve network quality with a higher density of physical base stations and to respond to the expected increase in user. Population coverage is calculated based on areas where communication is available in 50% or more of the locations in approximately 500 square meter plots used for the census, rather than overall coverage of land area. As achieving marginal increases in population coverage would require significantly greater increases in total coverage area, reaching a similar level of 4G population coverage as our competitor MNOs would require significant additional capital expenditures. Similarly, reaching similar user experience on our network as our competitors' networks would also require both additional capital expenditures as well as the receipt of additional allocations of spectrum, particularly in the "platinum band" (which remains true even following the allocation of spectrum in the platinum band in October 2023), which allows for better penetration in buildings and around obstacles, for which there can be no guarantee. In light of this, on May 11, 2023, we and KDDI announced that we had agreed to enter into a new roaming arrangement making selected *au* base stations in urban areas in Tokyo, Osaka and Nagoya which were previously not subject to our roaming arrangement available for our subscribers, in addition to certain indoor areas (including subways, underground areas, tunnels and indoor facilities) and rural areas. Based on the expected terms of the new arrangement, on May 12, 2023, we announced our new SAIKYO (meaning "strongest" in Japanese) plan. Under this plan, which commenced in June 2023 and maintains the pricing tiers of the UN-LIMIT VII plan, 4G high-speed roaming on KDDI's network in applicable locations is unlimited, and voice calls using *Rakuten Link* are unlimited, including on KDDI's network. For additional details on the SAIKYO plan, see "Business—Our Business Operations—Mobile Segment—Telecommunications Business." We believe that the SAIKYO plan has improved and will continue to improve the user experience of our subscribers in important ways. First, our subscribers will no longer be limited to 5 GB of high-speed roaming on KDDI's network in applicable locations. Second, the addition of selected base stations in urban areas in Tokyo, Osaka and Nagoya has made available to our subscribers the portions of the "platinum band" spectrum allocated to KDDI in these areas, which we believe will improve connectivity in subways, underground areas, tunnels and indoor facilities. The additional KDDI base stations have increased our 4G population coverage to 99.9%, as compared to 98.8% by our network alone as of September 30, 2023. Moreover, *Rakuten Mobile* is expanding the bandwidth of existing base stations from 5 MHz to 20 MHz in Tokyo metropolitan area to strengthen network quality during peak times.

By improving user experience in these ways, we seek to continue to decrease our churn and further increase of our subscriber numbers, while easing the need for constructing additional base stations, reducing the amount of capital expenditures we expect to make through 2025 by nearly ¥300 billion and significantly reducing

our need for new funding. Moreover, because the roaming arrangement will make available "platinum band" spectrum connectivity utilized by KDDI's base stations in certain places once technological preparations are complete, our subscribers will be able to benefit from the characteristics of the "platinum band" spectrum in such places prior to our deployment of the 700 MHz "platinum band" that was allocated to us by the MIC in October 2023. We have been steadily activating additional base stations pursuant to the roaming arrangement in metropolitan areas, and the implementation of the roaming agreement with KDDI was completed by March 2024. Pursuant to the terms of the roaming agreement with KDDI, roaming fees have gradually begun to decrease since the fourth quarter of the fiscal year ended December 31, 2023. In December 2023, we achieved a reduction of ¥16 billion in overall network costs (other than depreciation) and selling, general and administrative expenses on a monthly basis as compared to the highest level in the year ended December 31, 2022, surpassing our original goals of a ¥15 billion decrease within 2023.

With respect to deployment of 700 MHz "platinum band", we are also focused on filling remaining coverage holes in urban areas that could not be feasibly addressed by our own 1.7 GHz frequency spectrum, especially indoors. On February 27, 2024, *Rakuten Mobile* announced that it will deploy base stations using mobile network radios developed by Nokia Solutions & Networks Japan G.K. ("Nokia") in the 700 MHz "platinum band." Nokia's mobile network radio that *Rakuten Mobile* will deploy are small, lightweight and energy efficient. By using a next-generation Distributed Unit developed by *Rakuten Symphony*, *Rakuten Mobile* will be able to easily deploy the radio in its virtualized, Open RAN network. As a result, the newly deployed antenna compatible with 1.7 GHz band and 700 MHz band will be deployed alongside the existing 1.7 GHz radios, allowing the base stations to operate promptly by updating the software. *Rakuten Mobile* will deploy base stations cost effectively by shortening the lead time between additional construction and operation utilizing its unique virtualized network technology and existing base station sites. We expect that 10-year cumulative capital expenditure of approximately ¥54.4 billion (including interference remediation costs), with initial focus on coverage inside buildings in cities, will be required to roll out services on this spectrum. We expect capital expenditures to be low owing to our network based V-RAN/O-RAN, with our software-centric network allowing for mostly radio-head replacements with a software update at existing 1.7 GHz base stations. On June 27, 2024, we launched commercial services using 700 MHz "platinum band" spectrum and plan to continue expanding "platinum band" services using *Rakuten Mobile*'s network of base stations. On June 16, 2024, the number of mobile carrier service subscribers (including MVNO and MVNE, but excluding BCP subscribers) at *Rakuten Mobile* exceeded 7 million. On October 18, 2024, the total number of subscribers (including MVNO, MVNE and BCP subscribers) surpassed 8 million, and on November 10, 2024, the number reached 8.12 million.

Based on developments relating to *Rakuten Mobile* to date, particularly when growth in subscribers has not met our expectations, we have revisited our expectations for profitability (on an Adjusted EBITDA basis) for this business a number of times, including following the introduction of the SAIKYO plan in June 2023 due to slower onboarding progress, which led to less than anticipated subscriber increases. Now, however, based on the anticipated effect of the increases in subscribers and maintenance of lower churn rates that we are targeting through ongoing improvements in user experience and overall decreases in network costs, combined with our other strategies to maintain and increase ARPU (including the effect of Mobile Ecosystem Contribution) and maintain reduced costs at *Rakuten Mobile*, we believe that the roaming arrangement, the roll-out of 700MHz "platinum band" and the SAIKYO plan present a path towards making this business profitable. Based on our current model, we are seeking to achieve monthly break-even for *Rakuten Mobile*, Inc. on an adjusted EBITDA basis by the end of 2024, and annual break-even on an adjusted EBITDA basis by 2025. See "Business—Our Strategies—Achieve the ability to self-fund through significant improvements in our Mobile Segment backed by achieving structural profitability in our Mobile business as well as growth in our Internet Services and FinTech Segments—Achieve structural profitability in the Mobile business" and "Risk Factors—Risks Relating to Our Business Generally—*Rakuten Mobile* exposes us to significant risks, and we may be unable to recoup our investments in it or make it profitable on our expected timeline or at all."

Due to the negative effects of the Mobile segment, our consolidated operating cash flows for the year ended December 31, 2022 were negative. While, in the year ended December 31, 2023 and the nine-month period ended September 30, 2024, our consolidated operating cash flows were positive, recording a net cash flows from operating activities of ¥724.2 billion and ¥819.5 billion, respectively, mainly due to cash flows attributable to our banking business in the year 2023 and combined cash inflows from banking and securities business and the effect of depreciation and amortization in the nine-month period ended September 30, 2024, despite *Rakuten Mobile*'s continued negative effect on operating cash flows overall (although such effect has decreased as *Rakuten Mobile*'s results have improved). To date, we have countered these cash outflows through a combination of self-funding by *Rakuten Mobile* from asset financings, including sale and leaseback arrangement, lease financings and securitization of receivables and other assets, and capital injections to *Rakuten Mobile* from

Rakuten Group, Inc. using capital raised in debt financing transactions. See "—Financial Condition and Liquidity—Liquidity and Liquidity Management—Sources of Liquidity and Funding." We have also used a variety of equity-related and asset monetization transactions, such as the variable prepaid forward transaction to monetize our investments in Lyft, Inc. in 2020, issuances of subordinated notes in 2021, third party allotments of our common stock in 2021 and other monetization transactions. See "—Financial Condition and Liquidity—Liquidity and Liquidity Management—Sources of Liquidity and Funding." We have used the proceeds of the initial public offering of *Rakuten Bank* received by us to fund operating cash flows and capital expenditures in our mobile segment during the year ended December 31, 2023. See "—IPO of *Rakuten Bank* and Subsequent Follow-on Sale of Shares." We have also used a total approximately ¥188.3 billion of the net proceeds from the offering of shares of our common stock and the concurrent third-party allotments that closed in June 2023 to fund investments and loans to *Rakuten Mobile* during the year ended December 31, 2023, of which a total of approximately ¥40.0 billion was used for capital investments in 4G and 5G physical base stations and the remainder was used as working capital (including handset purchase funds, customer acquisition costs and roaming fees), in addition to redemptions and repayments of bonds and commercial paper. We have also raised ¥170 billion through a sale and leaseback transaction with *Rakuten Mobile*'s mobile network assets. See "—Capital Raise Through Sale and Leaseback of *Rakuten Mobile*'s Mobile Network Assets."

In 2025 and beyond, we seek to meet funding needs for *Rakuten Mobile's* capital expenditures, operating cash flows and interest expense (consisting of interest expense and cash for lease expenses under IFRS 16 at entities outside of our FinTech segment) through free cash flows from the Internet Services segment, cash flows from the FinTech segment (due to the regulated nature of these businesses, limited to management fees, *Rakuten Point* system usage fees, brand royalties and dividends received, which totaled approximately ¥66 billion for the fiscal year ended December 31, 2023) and securitizations and lease financing at *Rakuten Mobile*. However, the increased use of cash flows from other businesses, including the entities in our FinTech segment, has negatively affected the capital accumulation of such businesses. To the extent needed for such funding needs as well as the repayment of outstanding bonds following initiatives to manage our maturity profile, we believe we also have additional options to monetize assets and businesses. In particular, these options for monetization of assets and businesses include our plans to seek third-party capital investments at *Rakuten Symphony*, asset sales and other monetizations of investments held at *Rakuten Capital*, our internal venture capital arm, and further sales-and-leaseback arrangements for *Rakuten Mobile* network equipment. Although the timing remains undecided, we also plan to continue pursuing the listing of *Rakuten Securities Holdings*, which withdrew its previous listing application in November 2023. This discussion assumes that we are able, in the short-to-medium term, to refinance, rather than repay, bonds and borrowings when they mature or become callable, as well as that we are not required to incur greater capital expenditures or operating expenses than expected, including to execute our business strategies. However, these plans are subject to a significant degree of risk, including the realization of any of the risks discussed under "Risk Factors—Risks Relating to Our Business Generally—*Rakuten Mobile* exposes us to significant risks, and we may be unable to recoup our investments in it or make it profitable on our expected timeline or at all." and "Risk Factors—Risks Relating to Our Mobile Segment."

Impairment of Rakuten Mart (formerly Rakuten Seiyu Netsuper)

On December 20, 2023, we announced our intention to make *Rakuten Seiyu Netsuper*, which was previously a joint venture with Seiyu, into a wholly owned subsidiary. In connection with this change, Seiyu was expected to transition to operating a stand-alone online supermarket business with shipments delivered from its physical stores, while we intended to continue to operate *Rakuten Seiyu Netsuper* and its fulfillment centers. Subsequently, on January 10, 2024, we announced that, following our announcement of and as a result of such change, we determined that there exists an indication of impairment, and based on our impairment test, expect to be required to recognize an impairment of the assets of *Rakuten Seiyu Netsuper*. Accordingly, we recognized an impairment loss of ¥15.9 billion in our consolidated financial results, which are prepared under IFRS, for the year ended December 31, 2023, and an impairment loss of ¥12.0 billion and a loss on valuation of stocks of subsidiaries and affiliates of ¥17.0 billion in our non-consolidated financial results, which are prepared under Japanese GAAP, for the same fiscal year. Following the recording of the impairment loss, we expect to continue to record roughly ¥64 billion of related assets on our consolidated balance sheet. If our initiatives to improve the profitability and outlook of *Rakuten Seiyu Netsuper* are unsuccessful, we may be required to record additional impairments in relation to this business in the future. Rakuten Seiyu Netsuper, Inc. was renamed Rakuten Mart, Inc. effective August 8, 2024 and the online grocery delivery service launched under the name "*Rakuten Mart*" on September 25, 2024.

IPO of Rakuten Bank and Subsequent Follow-on Sale of Shares

On April 21, 2023, our subsidiary, *Rakuten Bank*, completed its listing on the Prime Market of the Tokyo Stock Exchange. As a result of the IPO of *Rakuten Bank* and the issuance of new shares through a third-party allotment to Daiwa Securities Co., Ltd., we received net proceeds of ¥71.8 billion and our share of *Rakuten Bank*'s outstanding shares of common stock decreased to 63.3%. We used the proceeds received by us from the sale of shares of *Rakuten Bank* to fund operating cash flow and capital expenditures in our Mobile business. Subsequently, we sold an additional portion of the shares of *Rakuten Bank* held by us on December 11, 2023, resulting in the receipt of net proceeds of ¥59.6 billion, and in the decrease of our share of *Rakuten Bank*'s outstanding shares of common stock to 49.27%. We used the proceeds from the additional sale of shares of *Rakuten Bank* to fund the redemption or repurchase of existing interest-bearing debt, or depending on the timing and our financial condition, in part to fund operating cash flow and capital expenditures in our Mobile business. See "—Impact of *Rakuten Mobile*." *Rakuten Bank* now manages its operations in a more autonomous manner and is able to consider various growth and financial strategies, including its own financing initiatives, through which we are targeting increased growth in the Rakuten Ecosystem and the Rakuten group overall.

In light of the level of control we expect to continue to exert over *Rakuten Bank*, we expect to continue to treat *Rakuten Bank* as a consolidated subsidiary following the IPO and subsequent additional sale of its shares. As a result of such sales, our net income (loss) attributable to owners of the company will be reduced to the extent of non-controlling interests representing minority shareholders of *Rakuten Bank* as a result of the listing and subsequent sale, as will our interest in any dividends declared by it in the future. Prior to the IPO of *Rakuten Bank,* we and *Rakuten Bank* agreed to terminate the operating agreement under which *Rakuten Bank* previously paid us management fees (*Rakuten Bank* recorded a total of ¥4,072 million of such fees in *Rakuten Bank*'s fiscal year ended March 31, 2022) with effect from April 1, 2022. Cash received by Rakuten Group, Inc. from *Rakuten Bank* going forward will consist primarily of license fees to be paid on a percentage of its consolidated gross profits (which percentage is determined by consultation with us) and any dividends it may declare in the future (*Rakuten Bank* did not declare dividends in respect of any of its seven fiscal years ended March 31, 2024).

No gain or loss will be recorded on either sale of shares on our consolidated statements of income because there is no effective loss of control; the difference between the change in equity arising from our sale of shares of *Rakuten Bank* and any gains or losses (excluding tax) arising on such sale will be recorded in equity. As a result of the IPO of *Rakuten Bank*, capital surplus decreased by approximately ¥8.7 billion and non-controlling interests increased by approximately ¥92.9 billion. As a result of the additional sale of shares in December 2023, on a standalone, Japanese GAAP basis, for the fiscal year ended December 31, 2023, we recorded an extraordinary gain of approximately ¥60 billion on the sale of affiliated company shares. On a consolidated and IFRS basis, for the fourth quarter ended December 31, 2023, we recorded an increase in total equity of approximately ¥60 billion as a result of the sale.

Rakuten Bank's revenue, as recorded within revenue for our FinTech segment for the purposes of our consolidated financial statements, for the years ended December 31, 2021, 2022 and 2023 and for the nine-month period ended September 30, 2024, was ¥102,641 million, ¥112,235 million, ¥127,659 million and ¥116,601 million, respectively. *Rakuten Bank*'*s* share of the segment income for our FinTech segment for the purposes of our consolidated financial statements (which is prior to intracompany eliminations, which are included in consolidation adjustments to segment income (loss)), for the years ended December 31, 2021, 2022 and 2023 and for the nine-month period ended September 30, 2024, was ¥29,584 million, ¥38,012 million, ¥48,208 million and ¥47,496 million, respectively. The foregoing figures are prepared on a *Rakuten Bank* consolidated basis, except that they do not include the results of Rakuten International Commercial Bank Co., Ltd., which is a joint venture of *Rakuten Bank* in Taiwan and, beginning in the three-month period ended June 30, 2020, became *Rakuten Bank*'s consolidated subsidiary.

Reorganizations of and Plan for the Listing of Rakuten Securities Holdings

On May 24, 2022, we announced that we had resolved to commence preparations for the listing of the shares of our subsidiary, *Rakuten Securities*. Effective from July 1, 2022, Rakuten Wallet, Inc. became a wholly owned subsidiary of *Rakuten Securities* as a result of a share transfer for cash between *Rakuten Payment* and *Rakuten Securities*. On October 1, 2022 *Rakuten Card*, the parent company of *Rakuten Securities* and Rakuten Investment Management, Inc., made an in-kind dividend to Rakuten Group, Inc., and on October 3, 2022, *Rakuten Securities* and Rakuten Investment Management, Inc., through a joint share transfer, became subsidiaries of *Rakuten Securities Holdings*, an intermediate holding company that was newly established and owned by Rakuten Group, Inc. formed in preparation for listing. We refer to this series of transactions as the

"*Rakuten Securities* Restructuring." In light of the *Rakuten Securities* Restructuring, *Rakuten Securities Holdings* will be the entity seeking to list its shares. On July 4, 2023, we announced that *Rakuten Securities Holdings* applied for listing on the Tokyo Stock Exchange on that day. However, on November 9, 2023, we announced that we had decided to temporarily withdraw the listing application dated July 4, 2023, while we seek to execute *Rakuten Securities Holdings'* business strategy and further increase its corporate value by strengthening its business alliance with Mizuho Financial Group companies. On April 1, 2024, we and *Rakuten Bank* announced our decision to initiate discussions for the potential reorganization of certain of our FinTech businesses, which is described under "Business—Our Business Operations—FinTech Segment—Memorandum of Understanding Regarding Reorganization of FinTech Businesses". In light of the potential reorganization, we announced our plan to discuss with *Rakuten Securities Holdings* the possibility of not pursuing its initial public offering. However, we have announced on September 30, 2024 that this reorganization is not necessarily the best option for further expanding the FinTech Ecosystem, and therefore, we have decided to cancel this reorganization. As for *Rakuten Securities Holdings'* initial public offering, while we had previously considered not pursuing it, we are now reevaluating this position, although at this stage, the timing of any such potential listing is undecided. *Rakuten Securities*' revenue, as recorded within revenue for our FinTech segment for the purposes of our consolidated financial statements (and including its off-shore subsidiaries), for the years ended December 31, 2021, 2022 and 2023 and for the nine-month period ended September 30, 2024, was ¥89,963 million, ¥95,837 million, ¥111,335 million and ¥98,023 million, respectively. *Rakuten Securities*' share of the segment income for our FinTech segment for the purposes of our consolidated financial statements (which is prior to intracompany eliminations, which are included in consolidation adjustments to segment income (loss)), for the years ended December 31, 2021, 2022 and 2023 and for the nine-month period ended September 30, 2024, was ¥18,125 million, ¥18,730 million, ¥30,250 million and ¥26,218 million, respectively.

Capital Raise Through Offering of Shares of Common Stock and Concurrent Third-Party Allotments

In June 2023, we completed an offering of shares of common stock and concurrent third-party allotments, issuing 542,306,800 shares for aggregate proceeds of approximately ¥296.0 billion excluding offering-related expenses. A total of 468,102,100 shares were issued in the offering in June 2023. As a result of the offering and third-party allotments, our standalone total equity increased to ¥1,502.1 million as of June 30, 2023 from ¥1,118.7 million as of March 31, 2023, and our standalone shareholders' equity ratio increased from 29.9% as of March 31, 2023 to 36.5% as of June 30, 2023. The third-party allottees and number of shares allotted were as follows:

- Mikitani Kosan, Inc.: 26,501,700 shares;
- Spirit Inc.: 26,501,700 shares;
- CyberAgent, Inc: 17,667,800 shares; and
- Tokyu Corporation: 3,533,500 shares.

Of the allottees, Mikitani Kosan, Inc. and Spirit Inc. are asset management companies established and run for the benefit of the immediate family of Hiroshi Mikitani, our founder and Representative Director, Chairman, President and Chief Executive Officer.

We used a portion of the net proceeds from the offering of shares of our common stock and the concurrent third-party allotments to fund the redemption of ¥10.0 billion aggregate principal amount of senior bonds issued by Rakuten Group, Inc. that matured in June 2023. We used the remaining proceeds as follows:

- to fund approximately ¥188.3 billion of investments and loans to *Rakuten Mobile* in the year ended December 31, 2023, of which approximately ¥40.0 billion was used for capital investments in 4G and 5G physical base stations and the remainder was used as working capital (including handset purchase funds, customer acquisition costs and roaming costs);
- to fund the redemption of ¥68.0 billion aggregate principal amount of subordinated bonds issued by Rakuten Group, Inc. that were redeemed in December 2023; and
- the remaining net proceeds were used to fund the redemption of commercial paper that came due in December 2023.

Strategic Alliance between Rakuten Securities Holdings and Mizuho Securities

On October 7, 2022, we announced that *Rakuten Securities Holdings* had agreed to enter into a strategic alliance with Mizuho Securities. In conjunction with the alliance, Mizuho Securities agreed to purchase from *Rakuten Securities Holdings* 19.99% of the outstanding shares of *Rakuten Securities* for a purchase price of ¥80 billion. This sale was completed on November 1, 2022. On November 9, 2023, we announced that *Rakuten Securities Holdings* had agreed to make an additional transfer of *Rakuten Securities* to Mizuho Securities of approximately 29.01% of the common stock of *Rakuten Securities* held by *Rakuten Securities Holdings*. The additional transfer of shares was completed on December 15, 2023. After the acquisition of these additional shares by Mizuho Securities, *Rakuten Securities Holdings*' shareholding ratio in *Rakuten Securities* became approximately 51%. While *Rakuten Securities* remains a consolidated subsidiary both of *Rakuten Securities Holdings* and of Rakuten Group, Inc. following the closing of the transactions, our and *Rakuten Securities Holdings*' respective net income (loss) attributable to owners of the company was reduced to the extent of non-controlling interests representing the share held by Mizuho Securities as a result of these transactions, as was *Rakuten Securities Holdings*' share of any dividends declared by *Rakuten Securities*, which may in turn reduce the cash available to *Rakuten Securities Holdings* to distribute to its shareholders by way of dividend. See "Business—Our Business Operations—FinTech Segment—Online Securities Business—Strategic Alliance between *Rakuten Securities Holdings* and Mizuho Securities."

Losses Incurred in Relation to Fraud Committed by our Former Employee and Several Business Partners

In 2022, an internal investigation conducted by *Rakuten Mobile* revealed that a former employee and several business partners conspired to illegally profit by padding expenses and making false reports to us over several years, and we recorded ¥11,996 million in estimated expenses as a result of this fraud for the year ended December 31, 2022, consisting of write-downs of certain assets that we acquired at a fraudulently inflated price.

Establishment of Rakuten Symphony

On August 4, 2021, we launched *Rakuten Symphony* as a new business organization to spearhead the global adoption of cloud-native O-RAN infrastructure and services, including *RCP* (the previous name of our cloud-native platform which was designed to support the quick and efficient development of safe and open mobile networks), by mobile network operators, enterprises and government bodies. *Rakuten Symphony*'s vision is to provide a future-proven, cost-effective cloud connectivity platform. On January 4, 2022, we established Rakuten Symphony, Inc. to manage our *Rakuten Symphony* business. On December 8, 2023, as technology partner for the German mobile network provider 1&1, *Rakuten Symphony* assisted in 1&1's launching of Europe's first fully virtualized 5G Open RAN mobile network that uses cloud-native core network provided by Mavenir System, Inc., providing end-to-end integration of the new network. On February 6, 2024, *Rakuten Symphony* officially launched its full-scale commercial file storage cloud service "Rakuten Drive" in Japan, which offers secure and intuitive file sharing on the cloud, as well as the ability to view and edit documents in real-time. On February 26, 2024, *Rakuten Symphony* and Kyivstar, Ukraine's largest telecommunications operator announced the signing of a Letter of Intent that confirms Kyivstar's interest in procuring and deploying *Rakuten Symphony*'s O-RAN technology in its network.

Cumulative revenue attributable to Rakuten Symphony, Inc. reached ¥116,840 million since its inception through the year ended December 31, 2023.

Standalone Valuation Loss on Securities Relating to Lyft, Inc.

In our standalone financial results for the year ended December 31, 2022 prepared under Japanese GAAP, we recorded a valuation loss on securities of ¥200.4 billion in respect of our investment in Lyft, Inc. However, in our consolidated financial statements, which are prepared in accordance with IFRS, valuation losses on securities are reflected on a quarterly basis. Moreover, valuation gains and losses on our investment in Lyft, Inc. are hedged through a collar contract through our wholly-owned subsidiary, Liberty Holdco Ltd. Accordingly, the standalone valuation loss did not materially affect our consolidated financial results. See Notes 26 and 47 to our financial statements for the year ended December 31, 2022 included elsewhere in this offering circular for further information on the collar contract and its effect on our consolidated financial statements. See also "—Partial Settlement of Prepaid Variable Share Forward Transactions of Shares of Lyft, Inc."

Establishment of JP Rakuten Logistics and Transfer of Logistics Business

In March 2021, Japan Post Holdings acquired 8.32% of our shares (based on the number of outstanding shares as of December 31, 2020) and we entered into a business alliance agreement with Japan Post Holdings and

its subsidiary, Japan Post Co. Subsequently, we and Japan Post Co. established JP Rakuten Logistics on July 1, 2021 as our wholly owned subsidiary, following which Japan Post Co. made an equity investment in JP Rakuten Logistics. As a result, we own 49.9% of JP Rakuten Logistics' voting interests and treat it as an equity-method affiliate. JP Rakuten Logistics, Inc. has succeeded to substantially all of our logistics business. Accordingly, gains or losses previously recorded in the Internet Services segment are recognized in share of income (losses) of investments in associates and joint ventures beginning in the three-month period ended September 30, 2021.

Sources of Revenue

Internet Services Segment

Our Internet Services segment accounted for 54.9%, 52.4%, 52.7% and 50.0% of our consolidated revenue before intersegment eliminations for the years ended December 31, 2021, 2022 and 2023 and the nine-month period ended September 30, 2024, respectively. The sources of revenue in our Internet Services segment vary depending on the industry and type of business. Our primary sources of revenue include the following:

Domestic E-commerce Business

Our Domestic E-commerce business is largely composed of *Rakuten Ichiba* and our online travel business, as well as other domestic e-commerce sites.

We derive revenue from our *Rakuten Ichiba* business primarily from commissions and fees from merchants that sell goods and services through our online marketplace, including sales commissions representing a percentage of merchant sales and fixed monthly merchant usage fees. See "Business—Our Business Operations—Internet Services Segment—*Rakuten Ichiba* Business—Our Products and Services" for a summary of our fee system. We also record revenue from advertising on *Rakuten Ichiba* such as display ads, search ads and email ads. In addition, we record commissions and fees from offering credit card and other payment methods. We also engage in direct sales of goods and services through *Rakuten 24*, *Rakuten Books*, *Rakuten Bic*, *Rakuten Mart* (formerly known as *Rakuten Seiyu Netsuper)* and *Rakuten Fashion*.

The primary source of revenue in our online travel business is commissions from hotels and accommodation facilities, airlines, car rental companies and other travel-related companies that sell their services through our online travel service *Rakuten Travel*. We also record revenue from advertising on *Rakuten Travel*.

Our consumer-to-consumer business, or C2C business, is our other main domestic e-commerce business. The primary source of revenue in our C2C business is commissions from sellers through our online C2C service, *Rakuten Rakuma*.

Other Internet Services Businesses

Overseas e-commerce businesses

Our overseas e-commerce marketplace businesses also primarily generate revenue from commissions received from merchants who sell goods and services through our e-commerce platforms. We also engage in some direct sales of goods and services through our overseas e-commerce platforms.

Other e-commerce and Internet Services businesses

We derive revenue on commissions on sales of goods and services through some of our other domestic e-commerce websites and record revenue from advertising on other Internet services websites. In addition, we derive revenue on commissions and fees from clients through our online performance marketing businesses through *Rakuten Advertising*, and other advertising businesses. We also derive revenue from our rewards business, *Rakuten Rewards*, and our online golf course reservation business, *Rakuten GORA*.

Mobile messaging and VoIP business

The primary sources of revenue for our mobile messaging and VoIP business are sales of virtual stickers and games, respectively, and fees received for voice calls to outside phone lines.

Digital content businesses

We derive revenue from our digital content businesses in the Internet Services segment through several monetization models, including the following:

- *E-books*. We derive revenue from our e-book business through the sale of e-books and e-readers to our customers through our *Rakuten Kobo* business. In addition to selling e-books on its North American, Japanese and international websites, *Rakuten Kobo* operates an e-book store within *Rakuten Books*, which sells physical books in Japan. *Rakuten Kobo* also sells e-readers manufactured under license by a third party through its website as well as in physical stores internationally. *Rakuten Kobo*'s principal source of revenue is sales of e-books as well as e-readers. In the United States, we have an exclusive retail alliance with Walmart that enables Walmart to sell e-books, as well as offer *Rakuten Kobo* eReaders, in Walmart stores and online at Walmart.com.

- *Streaming video*. Revenue from our streaming video services, including *Rakuten Viki*, are derived primarily from sales of digital content to users and advertising revenue.

- *Streaming music:* Revenue from *Rakuten Music* is derived from monthly subscription plans allowing users to listen to either unlimited or time-capped music from our selection.

Rakuten TV

Revenue from our *Rakuten TV* business is derived primarily from sales of digital content to users and advertising revenue.

Professional sports business

The primary sources of revenue for our professional sports business are ticket sales to games, merchandise-related sales, sale of broadcasting rights and income from sponsorship marketing.

Rakuten Ticket

Revenue from our *Rakuten Ticket* business is derived primarily from the reservation and sales of tickets for various events, including sports, live performances, concerts, and theater/stage performances.

FinTech Segment

Our FinTech segment accounted for 33.5%, 30.9%, 31.5% and 33.4% of our consolidated revenue before intersegment eliminations for the years ended December 31, 2021, 2022 and 2023 and the nine-month period ended September 30, 2024, respectively. The sources of revenue in our FinTech segment vary depending on the type of business. Our primary sources of revenue include the following:

Credit Card Business

The primary sources of revenue for our credit card business are card shopping transaction fees from merchants, commissions shared with card settlement network providers and fees, including annual fees, received from cardholders along with revolving payment and installment, financing revenue, which includes cash advance monthly commissions and interest income on cash advance balances, and fees from credit guarantees to other financial institutions including *Rakuten Bank*.

Digital Banking Business

The primary source of revenue for our digital banking business is interest income from loans and investments in securities and other instruments. In particular, we derive interest income from debt obligations in connection with our consumer loan business. Our digital banking business also generates revenue from fees for fund transfers and remittances and its debit card business.

Online Securities Business

The primary source of revenue for our online securities business is commissions received from financial instruments transactions (including trading of stocks and bonds and sales of investment trusts) and interest revenue from margin trading. Beginning with trades executed on October 2, 2023, *Rakuten Securities* offers

customers choosing an applicable commission structure zero-commission trading in Japanese listed equities. Also, on December 4, 2023, *Rakuten Securities* introduced commission-free real-time foreign exchange trades between U.S. dollar and Japanese yen. See "—Factors Affecting our Results of Operations—FinTech Segment—Factors Affecting our Online Securities Business." Our online securities business also derives income from net trading income on foreign exchange margin transactions and other operating revenue.

Insurance Businesses

We operate life insurance and general insurance businesses. The primary sources of revenue for our insurance businesses are the premiums paid by policyholders and interest income from the investment portfolios that we manage.

Other FinTech Businesses

The primary source of revenue for our *Rakuten Edy* and *Rakuten Cash* e-money businesses is commissions from participating merchants, and the primary sources of revenue for our *Rakuten Pay* business are interchange fees from payments conducted through payment terminals at member shops. We also operate a crypto asset trading service through *Rakuten Wallet* which derives income from transaction fees as users buy and sell a selection of crypto assets.

Mobile Segment

Our Mobile segment accounted for 11.5%, 16.7%, 15.8% and 16.6% of our consolidated revenue before intersegment eliminations for the years ended December 31, 2021, 2022 and 2023 and the nine-month period ended September 30, 2024, respectively. The sources of revenue in our Mobile segment vary depending on the type of business. Our primary sources of revenue include the following:

Telecommunications Business

The primary sources of revenue for our telecommunications business are fees for our MNO business, IP phone services and other telecommunications services, including IP phone, cloud solution and private branch exchange solution services provided to businesses. We also derive revenue from our remaining MVNO service users (we previously offered an MVNO service that allowed users to purchase a SIM card and access the wireless network infrastructures of third-party MNOs, NTT Docomo and KDDI, but we no longer offer this service to new customers and are in the process of migrating our existing MVNO customers to the *Rakuten Mobile* network that is used for our MNO business). *Rakuten Mobile* launched commercial operations of its MNO network in April 2020. On April 1, 2021, *Rakuten Mobile* introduced a plan featuring a tiered pricing structure of ¥0, ¥980 and ¥1,980 per month for 0-1 GB, 1-3 GB and 3-20 GB, respectively, of monthly data usage, or ¥2,980 per month for unlimited data within our network coverage area (in each case, excluding tax). On May 13, 2022, these tiers were updated to ¥980 per month for 0-3 GB, ¥1,980 per month for 3-20 GB and ¥2,980 per month for unlimited data within our network coverage area (in each case, excluding tax). The same pricing tiers apply for the new SAIKYO plan commenced in June 2023, and data usage fees are the largest component of *Rakuten Mobile's* revenue. We also derive revenue from sales of a selection of third-party and Rakuten-branded smartphones. In January 2023, we also began offering the *Rakuten Mobile Corporate Mobile Plan*, which was later renamed *Rakuten SAIKYO Plan Business*, for business customers, offering four tiers of data usage for voice call and unlimited data plans costing ¥1,980 (excluding tax) for monthly data use of up to 3 GB, ¥2,380 (excluding tax) for monthly data use of up to 5 GB, ¥2,780 (excluding tax) for monthly data use of up to 30 GB and ¥2,980 (excluding tax) for unlimited monthly data use, with data usage above the respective limits unlimited but subject to decreased speeds. As of March 8, 2024, we have accumulated more than 10,000 corporate customers. We also seek to increase ARPU by offering various optional services. On February 16, 2024, we announced and have since launched the "SAIKYO Family Program", which provides a ¥100 per month family discount from the SAIKYO plan if there is a family member with the same surname who also subscribes to the SAIKYO plan. In March 2024, *Rakuten Mobile* began offering the "SAIKYO Seishun Program," which provides 110 *Rakuten Points* per month to SAIKYO plan subscribers who are 22 years old or younger. The SAIKYO plan subscribers who are 22 years or younger can benefit from both the SAIKYO Family Program and the SAIKYO Seishun Program if they can meet the aforementioned conditions for each program. In May 2024, *Rakuten Mobile* launched the SAIKYO KIDS Program to support children's first smartphones, offering a price as low as ¥528 (tax included) per month if data usage is below 3 GB for children until the age of 13. When the user reaches 13 years of age, their plan will be automatically transferred to Seishun Program. In September 2024, *Rakuten Mobile* began offering the "SAIKYO Senior Program" which provides 110 *Rakuten Points* per month to the

SAIKYO plan subscribers who are 65 years old and above. Similar to the SAIKYO Seishun Program, the SAIKYO plan subscribers who are 65 years old and above can benefit from both the SAIKYO Family Program and the SAIKYO Senior Program if they can meet the aforementioned condition for each program.

Rakuten Energy

Revenue from our *Rakuten Energy* business is derived primarily from fees from individual and corporate users of our retail electricity services.

Factors Affecting our Results of Operations

Internet Services Segment

The main businesses in our Internet Services segment are our Domestic E-commerce businesses, which consist principally of our e-commerce marketplace *Rakuten Ichiba*, and our online travel agency *Rakuten Travel*. Our Domestic E-commerce businesses accounted for 70.0%, 72.4% and 73.0% of the Internet Services segment revenue in the years ended December 31, 2021, 2022 and 2023, respectively, and for 73.0% in the nine-month period ended September 30, 2024. We also operate our overseas e-commerce and other Internet Services businesses, including *Rakuten Advertising* and *Rakuten Rewards* in the United States (formerly *Ebates*), *Rakuten Viber* and our professional sports business, which includes the operation of the Tohoku Rakuten Golden Eagles, a Japanese professional baseball team, and Vissel Kobe, a Japanese professional soccer team, as part of the business.

Factors Affecting our Domestic E-commerce Business

GMS

The total value of the transactions made through our websites is an important indicator of our business performance because many of our businesses are based on a commission model, in which we receive a certain percentage of the value of the transactions made through our websites. GMS is one of the primary KPIs and measures gross sales across our e-commerce businesses. GMS on our Domestic E-commerce websites increased steadily over the last five years from ¥3.8 trillion in the year ended December 31, 2019 to ¥6.0 trillion in the year ended December 31, 2023. The following table shows the growth in GMS in our Domestic E-commerce businesses from the year ended December 31, 2019 to the year ended December 31, 2023 and the nine-month period ended September 30, 2024.

	For the year ended December 31,					For the nine-month period ended September 30,
	2019	2020	2021	2022	2023	2024
	(in trillions of yen)					
Domestic E-commerce GMS[(1)]	¥ 3.8	¥ 4.6	¥ 5.0	¥ 5.7	¥ 6.0	¥ 4.2

Note:

(1) Because the various services we offer change over time as operations are reorganized or new services are introduced, the collection of services upon which each figure is based varies from year to year. For example, in 2020, we transferred certain digital content businesses, including *Rakuten Ticket*, from the Internet Services segment to the Mobile segment, and such businesses were no longer included in Domestic E-commerce GMS, with retroactive effect. Additionally, in 2021, we transferred certain digital content business and messaging service business such as Rakuten Kobo Inc. and Viber Media S.a.r.l. from the Mobile segment to the Internet Services segment, which has resulted in retrospective adjustments to domestic e-commerce GMS to include such businesses for the years ended December 31, 2019 and 2020. Our current calculation of Domestic E-commerce GMS includes gross sales of *Rakuten Ichiba, Rakuten Travel*, *Rakuten Books*, *Rakuten Books* network, *Rakuten Kobo* (domestic), *Rakuten GORA, Rakuten Fashion, Rakuten Dream, Rakuten Beauty, Rakuten Delivery* (which was terminated in July 2022), *Rakuten 24* and other first-party daily necessities shops, our auto business, *Rakuten Rakuma, Rakuten Rebates, Rakuten Mart* (formerly known as *Rakuten Seiyu Netsuper*) and cross border trading, etc. Domestic E-commerce GMS excludes some tax-exempt businesses, but includes consumption tax. *Rakuten Books* network, cross border trading and *Rakuten Kobo* (domestic) were added from the three-month period ended December 31, 2021. Moreover, the content business outside of North America was transferred from Mobile segment to Internet Services segment and from the six-month period ended June 30, 2023, the portion of Domestic E-commerce GMS definitions, etc. have been revised. This has resulted in retroactive adjustments to Domestic E-Commerce GMS.

Number of merchants

The total number of merchants is one of the factors affecting the number of transactions on several of our websites, including *Rakuten Ichiba*. We have benefited from a virtuous cycle, in which a certain scale of

merchants and items for sale has attracted an increasing number of users to *Rakuten Ichiba* and an increasing number of users has kept our marketplace attractive to our merchants. We are now focused on maintaining a healthy and secure marketplace and increasing Domestic E-commerce GMS per merchant. The following table shows the number of merchants on *Rakuten Ichiba* as of the dates indicated.

	As of December 31,					As of September 30,
	2019	2020	2021	2022	2023	2024
Number of Rakuten Ichiba merchants	49,887	53,794	56,379	56,983	57,309	55,832

Expenses in our Domestic E-commerce business consist primarily of costs related to advertising and marketing campaigns recorded as advertising and promotion expenditures, as well as personnel expenses and IT costs.

Factors Affecting our Overseas E-Commerce Business

GMS from our overseas e-commerce websites, including our *Rakuten Rewards* operations in the United States (formerly *Ebates*), is an important indicator of the performance of our overseas e-commerce business because many of our businesses are based on a commission model, in which we receive a certain percentage of the value of the transactions made through our websites. The GMS of merchants through our overseas marketplaces is increasingly contributing to growth in our Internet Services segment.

Expenses in our overseas e-commerce business consist primarily of costs related to advertising and marketing campaigns recorded as advertising and promotion expenditures, as well as personnel expenses and IT costs.

Factors Affecting our Travel Business

Our travel business is a commission-based business in which we receive fees from travel-related companies that represent a percentage of the value of the travel and accommodation services our customers purchase, calculated at the time of payment by our customers. The value of the travel and accommodation services purchased is affected by domestic economic conditions, consumer spending, as well as events that can impact demand for travel services in the short term, such as pandemics, adverse weather conditions and natural disasters, including typhoons and earthquakes. These businesses were heavily affected by COVID-19 as demand for travel decreased significantly, although they have shown improvement in 2023 based on recovering demand and government programs to promote travel. However, such programs largely ended by July 2023 (and reservations made thereunder were completed by September 2023). The lack of such programs negatively affected demand in the three-month period ended December 31, 2023, as compared to prior periods, when such programs were in effect.

Factors Affecting our Other Internet Services Businesses

Our *Rakuten Advertising* business is affected by overall advertising expenditures in Japan and the United States, which are determined primarily by general economic conditions and developments affecting specific industries such as technological advances, deregulation and increased competition and the percentage of overall advertising expenditures spent on Internet advertising, which is determined by the extent to which consumers spend time using the Internet in comparison with other media, such as television, newspapers, magazines and radio, and also by the total value of e-commerce.

Factors Affecting our Mobile Messaging and VoIP Business

The number of monthly active users is an important indicator of the growth of our mobile messaging and VoIP business, *Rakuten Viber.* The number of *Rakuten Viber* unique IDs, defined as unique phone numbers excluding deactivations, was over 1.5 billion as of September 30, 2024.

Factors Affecting our Professional Sports Business

Our professional sports business records most of its revenue on a seasonal basis. A large portion of our revenue from the Tohoku Rakuten Golden Eagles is recorded from April to October during the baseball season in Japan and a large portion of our revenue from Vissel Kobe is recorded from February to December during the soccer season in Japan. Both of these professional sports teams have substantial expenses without substantial

off-setting revenue during their respective pre-season training periods. These businesses were heavily affected by the COVID-19 pandemic, as demand for live sports events decreased significantly, although they have recently shown gradual recovery due to the abatement of the pandemic and lifting of related safety measures.

Factors Affecting our Digital Content Businesses

The number of registered or active users is an important indicator of the growth of our digital content businesses.

Expenses in our digital content businesses consist primarily of content-licensing fees recorded as cost of sales of merchandise and services rendered, marketing costs, personnel costs and IT costs.

Other Factors Affecting our Internet Services Segment

Competition

Competition from other e-commerce sites in Japan or from e-commerce businesses based overseas further expanding into the Japanese market could reduce our share of the domestic e-commerce market or require us to reduce our fees for merchants, thereby adversely affecting our revenue. Competition from other online travel agencies or travel agencies in Japan or online travel agencies based overseas could place similar pressure on our *Rakuten Travel* business.

Economic conditions

Levels of disposable income, inflation, economic growth, unemployment rates, consumer purchasing power and consumer confidence in Japan affect the GMS of our Domestic E-commerce businesses and therefore affect our revenue from commissions in those businesses. Where economic conditions are such that consumers are able and willing to spend increasing amounts, we may see an increase in traffic on our websites or an increase in the number of items ordered or services purchased per customer, which may result in an increase in GMS; conversely, where economic conditions for consumer spending are poor, we may experience a decrease in GMS.

Seasonality

Our e-commerce and travel businesses experience fluctuations in their revenue from quarter to quarter that reflect patterns in consumer spending behavior in Japan, the Americas and Europe. Revenue of our e-commerce businesses tends to increase in our fourth fiscal quarter, ending December 31 of each year, which coincides with the winter holiday and gift-giving season occasioned by Christmas, New Year's and other holidays, as well as post-Christmas and New Year promotions. Advertisement sales also increase in our fourth fiscal quarter, coinciding with the increased consumer activity, generally producing higher revenue in our e-commerce and performance marketing businesses from the sale of Internet advertisements. Our travel business tends to have higher net sales in our second and third fiscal quarters, ending June 30 and September 30 of each year, due to Golden Week, a period of several consecutive national holidays in Japan from the final week of April to early May, and the summer holiday period in Japan during which students have several weeks of vacation and workers typically take time off for the observation of the Obon holiday in mid-August. The seasonality of the revenue of some of our businesses may make it more difficult for you to compare our results of operations for historical periods or to analyze our future prospects.

In October 2023, the Japanese government updated certain rules relating to the "hometown tax" (*furusato nouzei*) program, sales from which had significantly contributed to sales volumes on *Rakuten Ichiba* in recent years, with particular concentration in the three-month period ended December 31 of each year. See "Risk Factors—Risks Relating to our Internet Services Segment—If our merchants are unable to provide competitive, high-quality products and services, our business, financial condition and results of operations could be adversely affected." As a result, much of the demand for hometown tax donations was front-loaded to the three-month period ended September 30, 2023, with a corresponding decrease in the following quarter.

Marketing and advertising expenses

Expenses in our Internet Services segment consist primarily of costs related to advertising and marketing campaigns for our domestic e-commerce and travel businesses recorded as advertising and promotion expenditures. Such costs are primarily due to expenses from additional *Rakuten Points* awarded to users during

campaigns like our Rakuten Super Sale or other similar campaigns that we carry out on a continuous basis. Marketing and advertising expenses also include amounts we pay for offline advertising and amounts we pay to other Internet companies for search word and keyword advertisements, in which we purchase the rights to have our advertisements appear whenever a user searches for a particular word as well as Internet advertisements such as banner advertisements or advertisements on social networking services. We consider such advertising expenditures to be an important way to expand our customer base to new users and increase our share of the domestic e-commerce and travel markets. In December 2023, we implemented changes to the SPU program that revised point multipliers and/or the total monthly limit of points that can be earned (and, in certain cases, abolished bonuses completely) by various categories of users such as holders of *Rakuten Card's* premium cards, those using *Rakuten Bank* accounts for monthly automatic settlement of their *Rakuten Card* accounts and other various services in the Internet Services and FinTech segments, while, on the other hand, significantly increasing the bonus to users with a *Rakuten Mobile* subscription. The changes are expected to decrease the expenses associated with *Rakuten Points* in the short term. However, in the mid to long term, in the event that there is an increase in the number of mobile users, expenses associated with *Rakuten Points* may increase.

Personnel expenses

Personnel expenses are also a major expense in our Internet Services segment and consist of fixed costs in the form of salaries for employees as well as stock-based compensation. See "—General Factors—Employee Benefits Expenses."

IT costs

IT costs for our Internet Services segment consist primarily of server costs and costs from the maintenance of our IT systems, including outsourcing costs for work performed by third-party engineers. We may also incur a loss due to disposal and amortization of software or other IT assets in the event of the discontinuation or withdrawal of a service.

FinTech Segment

The main businesses in our FinTech segment are our credit card business, our digital banking business and our online securities business. Our credit card business accounted for 45.2%, 45.3% and 43.7% of our FinTech segment revenue for the years ended December 31, 2021, 2022 and 2023, respectively, and 41.1% of our FinTech segment revenue for the nine-month period ended September 30, 2024. Our digital banking business accounted for 16.6%, 17.2% and 17.6% of our FinTech segment revenue for the years ended December 31, 2021, 2022 and 2023, respectively, and 19.3% of our FinTech segment revenue for the nine-month period ended September 30, 2024. Our online securities business accounted for 14.5%, 14.7% and 15.4% of our FinTech segment revenue for the years ended December 31, 2021, 2022 and 2023, respectively, and 16.2% of our FinTech segment revenue for the nine-month period ended September 30, 2024. Our FinTech segment also includes our life insurance and general insurance businesses and our electronic payments and e-money business including *Rakuten Payment*, *Rakuten Edy* and *Rakuten Wallet*.

Factors Affecting our Credit Card Business

The total value of the transactions made using credit cards issued by *Rakuten Card* and the shopping revolving balance from *Rakuten Card* cardholders are important indicators of our business performance as *Rakuten Card* receives the majority of its revenue from fees and commissions from credit card transactions and interest income from revolving loans. The following table shows the shopping transaction value, including transactions outside of the Rakuten group, both online and offline, and shopping revolving balance in our *Rakuten Card* business, as of the dates and for the periods indicated.

	As of and for the year ended December 31,					As of and for the nine-month period ended September 30,
	2019	2020	2021	2022	2023	2024
	(in billions of yen)					
Rakuten Card shopping transaction value	¥ 9,456.8	¥11,469.1	¥14,452.3	¥18,174.6	¥21,147.6	¥ 17,490.4
Rakuten Card shopping revolving balance	614.0	619.8	611.9	620.2	641.0	659.7

Another important indicator of the growth of our *Rakuten Card* business is the total number of cards issued, as our revenue increases as the number of total cards issued increases. The following table shows the number of *Rakuten Cards* issued (including second cards issued to the same holder) as of the dates indicated:

	As of December 31,					As of September 30,
	2019	2020	2021	2022	2023	2024
	(in millions)					
Number of *Rakuten Cards* issued	19.0	21.6	25.1	28.1	30.1	31.4

Expenses of our *Rakuten Card* business primarily consist of marketing and general expenses and credit costs relating to doubtful accounts. *Rakuten Card* also incurs financial expenses, which include interest expenses and other expenses for funding along with borrowing from financial institutions and implementation of securitizations. The following table shows the ratio of expenses related to doubtful accounts for the periods indicated:

	For the year ended December 31,					For the nine-month period ended September 30,
	2019	2020	2021	2022	2023	2024
Ratio of expenses related to doubtful accounts[(1)]	1.97%	1.80%	1.49%	1.15%	0.76%	0.69%

Note:

(1) Ratio of expenses related to doubtful accounts is calculated as expenses related to doubtful accounts divided by the average total balance of loan receivables at the beginning and end of the applicable period.

Factors Affecting our Digital Banking Business

Outstanding Loans. The balance of loans outstanding at *Rakuten Bank* and the number of loan customers are important indicators of our business performance as interest income from loans to customers was the largest portion of *Rakuten Bank*'s revenue for the year ended December 31, 2023. *Rakuten Bank* is the lender of *Rakuten Bank* Super Loans and *Rakuten Card* provides loan customers under loans issued prior to April 1, 2020 with credit guarantees. Loan receivables associated with *Rakuten Bank* Super Loans are held on the balance sheet of *Rakuten Bank* except for loan receivables associated with delinquency or other difficulties, which are held on the balance sheet of *Rakuten Card* as foreclosed assets. *Rakuten Bank* pays fees for credit guarantees to *Rakuten Card* from the revenue received from the loan customers. The table below shows the total loan receivables (including loan receivables associated with delinquency or other difficulties) and loan customers associated with *Rakuten Bank* Super Loans for *Rakuten Bank* as of the dates indicated.

	As of March 31,					As of September 30,
	2020	2021	2022	2023	2024	2024
	(in billions of yen and thousands of customers)					
Loan receivables	¥ 1,113.8	¥ 1,892.8	¥ 2,937.8	¥ 3,762.4	¥ 4,020.9	¥ 4,310.3
Rakuten Bank Super Loan customers	701	726	757	801	875	907

Interest on loans is affected by a number of factors, including the creditworthiness of the borrower, the length of the loan term and the total maximum balance of the loan.

Outstanding Deposits. Another important indicator of the performance of *Rakuten Bank*'s business is the total amount of deposits from account holders. Assuming interest rate spreads remain constant, our profitability increases as our deposit level increases. In recent years, the BOJ actively implemented monetary easing measures, including a negative interest rate policy, which have resulted in lower market interest rates and flattened the yield curve in Japanese yen. However, on December 20, 2022, the BOJ announced changes in its monetary policies, including expanding the range of 10-year Japanese government bond yield fluctuations from plus and minus 0.25 percentage points to plus and minus 0.5 percentage points. Subsequently, on July 28, 2023, the BOJ announced that it would regard such limits as reference points, rather than rigid limits and that, while conducting nimble market operations around such range, it would offer to purchase 10-year Japanese government bonds at a yield of 1.0% each business day. Moreover, on March 19, 2024, the BOJ stated that its theretofore effective policy framework of the quantitative and qualitative monetary easing with yield curve control and its negative interest rate policy had fulfilled their roles and set the uncollateralized overnight call rate to around 0 to 0.1 percent. The BOJ also announced, among other things, the gradual reduction of the amount of purchases of

commercial paper and corporate bonds and the eventual discontinuation of such purchases in about one year from the date of the announcement. Subsequently, on July 31, 2024, the BOJ further raised the uncollateralized overnight call rate to around 0.25%. The BOJ also announced, among other things, that it will reduce by ¥400 billion per quarter its monthly purchase of long-term Japanese government bonds, such that the amount of purchase per quarter will be approximately ¥3 trillion for the first quarter of calendar year 2026. Increases in market interest rates have been relatively modest since the date of this announcement, and the Japanese yen 10-year interest rate is still low relative to interest rates of other currencies. An increase in the market interest rates in Japanese yen will impact our interest rate spread depending on the relative sensitivity of our interest-earning assets and interest-bearing liabilities to changes in interest rates as well as how the yield curve shifts as interest rates rise. If interest rates in Japan experience a sustained or substantial increase, our interest rate spread could be negatively affected. Such factors may include the extent to which the rise in the market interest rates will result in increases in interest rates on our deposits. The total domestic deposit balance has grown steadily over the last five years, from ¥2,611.2 billion as of March 31, 2019 to ¥10,327.6 billion as of March 31, 2024 and to ¥10,893.1 billion as of September 30, 2024. The following table shows the number of accounts and total amount of deposits as of the dates indicated. The foregoing figures and the figures in the table below are prepared on a *Rakuten Bank* consolidated basis, except that they do not include the results of Rakuten International Commercial Bank Co., Ltd., which is a joint venture of *Rakuten Bank* in Taiwan and, beginning in the three-month period ended June 30, 2020, became *Rakuten Bank*'s consolidated subsidiary, which is consistent with the contribution of *Rakuten Bank* as recorded in the results of our FinTech segment.

	As of March 31,					As of September 30,
	2020	2021	2022	2023	2024	2024
	(in millions of accounts and billions of yen)					
Number of accounts[(1)]	8.7	10.5	12.3	13.7	15.2	16.2
Deposit balance	¥ 3,404.9	¥ 5,542.5	¥ 7,541.8	¥ 8,892.4	¥10,327.6	¥ 10,893.1

Note:

(1) Represents the total number of accounts (including accounts at our overseas subsidiary). Individual accountholders are permitted to open one account at *Rakuten Bank*. Sole proprietors may open one account as an individual and one account for their business, and corporations may open multiple accounts, but in each case each account is counted separately.

Income from Securities Portfolio. *Rakuten Bank*'s securities portfolio consists mainly of Japanese national government bonds, Japanese corporate bonds and foreign bonds, as well as securitized credit card receivables of *Rakuten Card*. Interest earned on *Rakuten Bank*'s securities portfolio is affected by a number of factors, including: the average balances held; fluctuations in prevailing market interest rates; the relative proportion of yen-denominated and foreign currency-denominated investments; fluctuations in foreign exchange rates; the relative proportion of government bonds and corporate bonds; fluctuations in the duration of its investments; the proportion of investments with corresponding hedge positions; the effectiveness of those hedge positions; and default rates of loan receivables of *Rakuten Card*'s underlying securitization interests.

Fees and Commissions Revenue. *Rakuten Bank*'s fees and commissions revenue consists primarily of fees on fund transfers, fees on debit card transactions and commissions on foreign exchange transactions.

Interest Expenses. *Rakuten Bank*'s interest-bearing liabilities consist primarily of retail deposits, including both yen deposits and foreign currency deposits, on which we pay interest. Factors affecting interest paid on deposits include: competition with deposit products offered by other banks, as well as competition with retail investment products; the aggregate amount and relative proportion of yen deposits and foreign currency deposits, as well as the relative proportion of each separate denomination of foreign currency deposits; fluctuations in interest rates offered on yen deposits and each denomination of foreign currency deposits; the relative proportion of ordinary deposits and time deposits; and the mix of remaining maturities of time deposits.

Fees and Commissions Expenses. *Rakuten Bank*'s fees and commissions expenses consist primarily of fees for credit guarantees for *Rakuten Bank* Super Loans paid to *Rakuten Card* and ATM usage fees paid on behalf of its accountholders. ATM usage fees vary according to the rates charged by owners of ATM networks and the volume of customer transactions.

Factors Affecting our Online Securities Business

We view the trading value of our *Rakuten Securities* online securities business as an important indicator of the strength of the business and our competitive position vis-à-vis other online and full-service online securities businesses because our online brokerage commissions depend on the total value of the trades made per

day or per month by our securities customers and our commission rates. In addition, we generate a large portion of our *Rakuten Securities* revenue from brokerage commissions on margin transactions and interest income on margin trading.

The following table shows the increase in domestic stock brokerage trading value and foreign exchange trading value from the year ended December 31, 2019 to the year ended December 31, 2023.

	For the year ended December 31,					For the nine-month period ended September 30,
	2019	2020	2021	2022	2023	2024
	(in billions of yen)					
Rakuten Securities domestic stock brokerage trading value	¥ 53,173	¥ 89,813	¥113,244	¥ 136,164	¥ 156,127	¥ 197,028
Rakuten Securities foreign exchange trading value	247,148	457,234	454,286	1,195,656	1,133,051	1,059,149

The trading value of our *Rakuten Securities* business depends on the following factors:

- Trading volume for the Japanese securities industry, including trading by Japanese investors in domestic and overseas stock markets, which is dependent upon general economic conditions and overall trends in financial markets;

- The percentage of trading volume that takes place through the online trading platforms of online securities companies rather than through traditional securities brokerage transactions that do not operate over the Internet; and

- *Rakuten Securities*' share of the trading volume taking place through online trading platforms, which depends on:

  - The number of brokerage accounts we have; and

  - The average total value of the securities trades made by each account holder.

Trends towards the introduction of zero-commission trading in the Japanese online brokerage industry may negatively affect *Rakuten Securities*' revenue, requiring it to choose between potential losses in trading volume, as customers decide to use competitors who do not charge commissions, or decreased commission revenues as a result of following such trend and abolishing trading commissions for its business. On August 31, 2023, SBI SECURITIES Co., Ltd., *Rakuten Securities*' primary competitor in the Japanese online retail brokerage industry, announced its plan to make available commission-free trading in Japanese listed stocks to all qualifying online account holders, beginning with trades made on September 30, 2023. On the same day, *Rakuten Securities* announced its plan to also offer commission-free trading of Japanese listed stocks to all customers, beginning on October 2, 2023. As a result, to the extent *Rakuten Securities* customers (who choose their fee structure from a number of options) choose commission-free trading in Japanese listed stocks, *Rakuten Securities* will no longer earn such commissions. In the year ended December 31, 2022, the total amount of such commissions recorded by *Rakuten Securities* for its financial statements under J-GAAP accounted for 17.3% of *Rakuten Securities'* consolidated operating revenue.

In addition to brokerage commissions, *Rakuten Securities* charges commissions in connection with the initial sale of interests in investment trusts and other funds. Subscription and distribution commissions are determined primarily by customer purchase volume, which is dependent on factors including our ability to provide an attractive selection of investment trusts and other funds as well as by the contractual terms of the particular funds *Rakuten Securities* chooses to offer to its customers.

Rakuten Securities also receives other commissions, which are principally composed of management fees for investment trusts. Management fees are based upon customers' investment balances in investment trusts and vary depending on the contractual terms of the fund.

The following table shows growth in the net asset balance of investment trusts at *Rakuten Securities* as of the dates indicated.

	As of December 31,					As of September 30,
	2019	2020	2021	2022	2023	2024
	(in billions of yen)					
Balance of investment trusts.....	¥ 951.3	¥ 1,458.0	¥ 3,220.8	¥ 4,296.8	¥ 7,139.4	¥ 11,116.9

Net trading income is primarily from commissions from foreign currency transactions conducted by customers of *Rakuten Securities*, and is affected by movements in foreign currency markets and the timing of our execution of customers' orders and the volumes of our purchases of non-yen-denominated bonds for resale to *Rakuten Securities* customers. On November 29, 2023, *Rakuten Securities* announced that it would reduce commissions on real-time foreign exchange trades between U.S. dollar and Japanese yen to ¥0.03 per trade effective for trades executed on and after December 1, 2023. Shortly thereafter, on November 30, 2023, SBI SECURITIES Co., Ltd. announced that it would reduce commissions on real-time foreign exchange trades between U.S. dollar and Japanese yen to ¥0 effective for trades executed on and after December 1, 2023. On December 1, 2023, *Rakuten Securities* announced that it would further reduce commissions on real-time foreign exchange trades between U.S. dollar and Japanese yen to ¥0 effective for trades executed on and after December 4, 2023, and on the same date, Matsui Securities Co., Ltd. also announced that it will reduce commissions on foreign exchange trades between U.S. dollar and Japanese yen to ¥0 effective December 4, 2023. As a result, on and after December 4, 2023, *Rakuten Securities* will no longer earn commissions on real-time foreign exchange trades between U.S. dollar and Japanese yen.

Financial revenue is primarily from interest paid to *Rakuten Securities* by customers in connection with margin trading.

Expenses of our *Rakuten Securities* business primarily consist of financial expenses and selling, general and administrative expenses. Financial expenses for *Rakuten Securities* are primarily fees and interest expenses incurred as a result of stock and cash borrowing arrangements it enters into in connection with facilitating margin transactions by its customers. Selling, general and administrative expenses are primarily transaction-related expenses, administrative expenses, personnel expenses and expenses from software and hardware depreciation.

Factors Affecting our Other FinTech Businesses

Rakuten Life Insurance and Rakuten General Insurance

As the primary source of revenue in our *Rakuten Life Insurance* and *Rakuten General Insurance* businesses is insurance premiums, the total amount of annualized insurance premiums and number of policies are important indicators of our business performance. The following table shows the annualized insurance premiums in force and the number of policies in our *Rakuten Life Insurance* and *Rakuten General Insurance* businesses as of the dates and for the periods indicated.

	As of and for the year ended December 31,			As of and for the nine-month period ended September 30,
	2021	2022	2023	2024
	(in millions of yen and thousands of policies)			
Rakuten Life Insurance:				
Annualized insurance premiums in force.....	¥ 31,906	¥ 32,979	¥ 33,511	¥ 33,538
Number of policies in force	810	868	796	767
Annualized insurance premiums of new policies	¥ 5,156	¥ 4,707	¥ 3,440	¥ 2,137
Rakuten General Insurance:				
Number of new automobile insurance policies(1).....	3	2	2	2
Number of new fire insurance policies(1)	5	4	4	3
Number of web sales of new policies(2).....	167	165	197	206

Notes:

(1) Excluding web application policies.

(2) Consists of Cycle Assist (Comprehensive casualty insurance for bicycle users), Home Assist (Comprehensive home insurance), Living Assist (Fire insurance for rental housing residents), Golf Assist (Comprehensive casualty insurance for golfers), Travel Assist (Overseas travel insurance, Domestic travel insurance) and Drive assist (Automobile insurance for individuals, beginning the year ended December 31, 2020).

Other businesses

We also record revenue from other businesses in our FinTech segment, including our e-money service provider, *Rakuten Edy*, our mobile payment solution service provided through *Rakuten Pay* and our crypto asset exchange service, *Rakuten Wallet*.

Mobile Segment

The main business in our Mobile segment is *Rakuten Mobile*, our telecommunications business. For the year ended December 31, 2021, our Mobile segment also included our mobile messaging and VoIP business, *Rakuten Communications* and our digital content businesses, including *Rakuten Kobo*. However, our mobile messaging and VoIP businesses of Viber Media S.a.r.l. and the North American businesses of *Rakuten Kobo* have been moved to the Internet Services segment starting in the year ended December 31, 2021. Certain media and entertainment businesses and subsidiaries previously included in this segment were moved to the Internet Services segment beginning in the three-month period ended March 31, 2023.

Factors Affecting our Telecommunications Business

Revenue for this business consists of service revenue, device revenue and other revenue. Service revenue attributable to our MNO business includes subscriber fees for data charges, voice call charges (i.e., calls not made over *Rakuten Link*) and optional services, such for unlimited voice calls over 15 minutes and SMS (in each case, using handset operating system applications, and not *Rakuten Link*). Prior to the introduction of the SAIKYO plan in June 2023, we also charged users for additional high-speed roaming data for KDDI's network in applicable locations after an initial 5 GB per month limit. Service revenue includes MVNO subscriber fees. Device revenue, consisting of revenue from the sale of handsets, is another main component of revenue.

Service revenue is primarily affected by the number of subscribers for services offered by *Rakuten Mobile*, the ARPU, the churn rate, which we define as the proportion of subscribers who terminate their MNO services during a specific period, and the average data usage per month by B2C subscribers. Following the launch of commercial operations for *Rakuten Mobile*'s MNO network in April 2020, the total number of MNO subscribers, excluding BCP subscribers, grew from 1.63 million as of December 31, 2020 to 4.50 million as of December 31, 2021, before falling to 4.46 million as of December 31, 2022 and subsequently increasing to 5.96 million (excluding BCP subscribers) as of December 31, 2023. Including approximately 130 thousand BCP lines provided to enterprise customers, total MNO subscribers surpassed 6 million for the first time on December 26, 2023. On October 18, 2024, the total number of subscribers (including MVNO, MVNE and BCP subscribers) surpassed 8 million, and on November 10, 2024, the number reached 8.12 million. In addition, other services that we offer to our subscribers, the Japanese regulatory environment and competition in the Japanese mobile telecommunications industry also affect the results and performance of our MNO operations. We previously offered an MVNO service that allowed users to purchase a SIM card and access the wireless network infrastructures of third-party MNOs, NTT Docomo and KDDI, but we no longer offer this service to new subscribers and are in the process of migrating our existing MVNO subscribers to the *Rakuten Mobile* network that is used for our MNO business and, accordingly MVNO service revenue has decreased significantly in recent years.

With the end of the UN-LIMIT VI campaign providing for the waiving of subscriber data fees for usage of 1 GB or less, all of our subscriber base consists of paying customers. We seek to continue to increase the ARPU of these customers in order to continue to improve the results of our *Rakuten Mobile* business and eventually, reach profitability. We seek to accomplish this through initiatives to increase data use as well as to increase the use of other value-added services available to subscribers for an additional monthly charge. Since the introduction of UN-LIMIT VII, ARPU for the MNO business (in each case, before Mobile Ecosystem Contribution and excluding BCP) has increased, growing from ¥1,455 for the three-month period ended September 30, 2022 to ¥2,056 for the three-month period ended September 30, 2023, before slightly decreasing to ¥2,007 for the three-month period ended December 31, 2023 and decreasing further to ¥1,966 for the three-month period ended March 31, 2024. In the fourth quarter of 2023 in particular, ARPU was negatively affected by the increase in B2B subscribers during the quarter, primarily because subscription fees for corporate subscribers are pro-rated during their first month (as compared to individual subscribers, who are subject to a full month of fees during their first calendar month irrespective of the start date). However, even controlling for this factor, we offer tailored pricing for large business subscribers, which can result in relatively lower ARPU. Additionally, until October 2023, there were no additional options available to B2B subscribers, which further affected ARPU. We have since begin offering optional services to such subscribers, which we anticipate will lead

to increases in ARPU attributable to them. The SAIKYO plan introduced in June 2023 incentivized additional data use by removing data caps on high-speed roaming on KDDI's network in applicable locations, and by completing the necessary technological steps to fully make available the anticipated benefits of the SAIKYO plan, we are seeking to achieve greater increases in ARPU. In recent quarters, ARPU has returned to a growth trend, growing to ¥2,021 for the three-month period ended June 30, 2024 and further to ¥2,039 for the three-month period ended September 30, 2024 (both prior to the effect of Mobile Ecosystem Contribution).

ARPU is affected by each subscriber's data usage per month. The average data usage per month by B2C subscribers is one of key performance indicators that we use for the Mobile segment. The average data usage per month by B2C subscribers has increased from 9.5, 10.2, 10.6 and 10.5 GB in each quarter in 2021 to 9.9, 10.9, 14.2 and 16.8 GB in each quarter of 2022, and further increased to 16.8, 18.9, 22.4 and 23.3 GB in each quarter of 2023. The average data usage per month by B2C subscribers was 23.5, 24.5 and 29.0 GB for the first, second, and third quarters of 2024.

Device revenue consists primarily of revenue from handsets sold to subscribers, and is affected by the number of new subscribers purchasing devices as well as the price and attractiveness of the devices we sell. Other revenue for *Rakuten Mobile* consists primarily of fees charged to *Rakuten Hikari* users.

Costs in our telecommunications business consist of cost of gross sales, network costs and selling, general and administrative expenses.

Cost of gross sales includes the cost of handsets sold to subscribers, the cost of providing optional services, and fees paid to NTT East and NTT West for use of their fiber optic networks to provide *Rakuten Hikari*.

Network costs consist of network operating expenses, depreciation and roaming fees paid to KDDI. Network operating expenses have a number of components, including physical base station rent, electricity costs, transmission costs and maintenance costs. Assuming the same number of physical base stations and amount of network equipment, these costs are generally stable.

The results of operations for our telecommunications business are also affected by the level of expenditures for the development of our network and acquisition of new subscribers. We have made significant capital investments for the development of our MNO network, including the installation of physical base stations and the development of network technologies. For the years ended December 31, 2021, 2022 and 2023 and the nine-month period ended September 30, 2024, our capital investments for our Mobile segment were ¥509.0 billion, ¥418.8 billion, ¥238.5 billion and ¥96.6 billion, respectively, including right-of-use assets. For the year ended December 31, 2021, capital investments for our Mobile segment consisted of ¥407.7 billion of property, plant and equipment and ¥101.3 billion of intangible assets. For the year ended December 31, 2022, capital investments for our Mobile segment consisted of ¥349.9 billion of property, plant and equipment and ¥68.9 billion of intangible assets. For the year ended December 31, 2023, capital investments for our Mobile segment consisted of ¥176.6 billion of property, plant and equipment and ¥61.9 billion of intangible assets. For the nine-month period ended September 30, 2024, capital investments for our Mobile segment consisted of ¥61.3 billion of property, plant and equipment and ¥35.4 billion of intangible assets. These capital investments have affected the results of operations of our telecommunications business through increased depreciation expenses and we expect that additional increases in capital investments will result in further increases in depreciation expenses in the future.

Roaming fees payable to KDDI are based on our roaming arrangements with KDDI. To date, such fees have varied depending on the number of base stations applicable and the amount of data used by our subscribers on KDDI's network. Pursuant to the terms of the roaming agreement with KDDI, roaming fees have gradually begun to decrease since the fourth quarter of the fiscal year ended December 31, 2023. We intend to seek to further reduce costs with decreases in other network costs and selling, general and administrative expenses.

Selling, general and administrative expenses consist primarily of sales and marketing expenses to promote the capabilities of our network and acquire new users. This includes marketing-related expenses, the number of shops as well as expenses for a portion of the points awarded to new subscribers and through the *Super Point Up* (SPU) program. As initiatives for network improvements under the roaming arrangement with KDDI are being completed, we plan to intensify our ongoing disciplined marketing initiatives, such as advertising through our other sites and services and through *Rakuten Point*-related initiatives, targeted primarily at existing Rakuten Ecosystem users who are not already subscribers, through advertisements on our existing

webpages and through our other services, to increase their awareness of the benefits of the roaming arrangement and the SAIKYO plan. We have also sought to rationalize the number of shops and sales personnel, and continue to do so as part of cost reduction measures.

The MNO business is also subject to seasonality in that taxes related to this business are due in the first calendar quarter, causing an increase in operating expenses during this period as compared to other quarters. Generally, churn rate also tends to increase in the first quarter of the year, as our competitor MNOs and others, many of whom have March fiscal year ends, increase sales promotions during this period, in part to attract new students and new hires beginning school or work in the new fiscal year.

Considering the expanding mutual contribution effects between segments within the Rakuten Ecosystem, beginning with the three-month period ended September 30, 2024, mutual contribution effects and mutual customer referral effects (which we refer to as "Mobile Ecosystem Contribution") have been reflected in segment profit and loss to allow for a more precise performance evaluation (no changes are made to segment revenue). For a detailed description of the calculation of Mobile Ecosystem Contribution, see "Presentation of Financial and Other Information—Note Regarding Comparability of Financial Information—Other Changes in Presentation of Financial Information—2024 Changes in Measurement Methods of Segment Revenue and Segment Profit (Loss)—Mobile Ecosystem Contribution."

The following table shows the results of *Rakuten Mobile* for the periods shown:

	For the year ended December 31,			For the nine-month period ended September 30,	
	2021	2022	2023	2023	2024
			(in millions of yen)		
Revenue[1][2]:					
Service	¥ 53,567	¥ 94,434	¥ 130,643	¥ 94,828	¥ 125,647
Includes:					
MNO	17,607	75,015	118,399	85,225	119,479
Includes:					
Data	9,947	61,698	100,177	72,334	100,467
Calls	3,692	4,513	4,910	3,506	5,112
Options	3,968	8,805	12,083	8,750	11,488
Others	0	0	1,089	566	2,147
MNO other revenue[2]	0	0	141	69	264
MVNO	35,959	19,419	12,243	9,603	6,166
Device	56,950	65,439	56,900	42,903	39,526
Other revenue[2]	24,527	31,170	37,343	28,040	37,179
Total revenue	135,044	191,043	224,885	165,770	202,352
Operating expenses:					
Cost of gross sales	93,485	106,807	100,416	77,495	69,404
Network Cost	316,246	405,145	341,480	259,697	236,719
Selling, general and administrative expenses	134,142	146,823	106,796	83,202	81,296
Others (foreign exchange adjustment, etc.)	(4,994)	(8,384)	(1,303)	(97)	4,852
Total operating expenses	538,879	650,391	547,389	420,298	392,271
Non-GAAP operating loss (as included in Mobile segment loss) (Prior to Mobile Ecosystem Contribution)[3][4][5]	(403,835)	(459,348)	(322,503)	(254,527)	(189,918)
Mobile Ecosystem Contribution[5]	—	—	—	15,584	19,885
Non-GAAP operating loss (as included in Mobile segment loss) (Post-Mobile Ecosystem Contribution)[3][4][5]	—	—	—	(238,943)	(170,034)
Adjusted EBITDA[6]	—	—	—	(128,730)	(50,282)

Notes:

(1) From the three-month period ended September 30, 2024, Other has been revised to include Advertising. Past figures have been retroactively adjusted due to the change.

(2) From the three-month ended March 31, 2024, the revenue generated from the BCP and MVNE business, which is conducted via *Rakuten Communications*, a subsidiary of *Rakuten Mobile* that provides technical and network infrastructure services to MVNOs, is a separate line item as "MNO other revenue", reflecting a new business model, which was previously divided into "MNO service revenue" and "other revenue".

(3) Segment profit (loss) is presented upon the basis of non-GAAP operating income (loss). See "—Adjusted/Non-GAAP Financial Measures."

(4) Prior to intracompany eliminations, which are included in consolidation adjustments to segment income (loss).

(5) The Mobile Ecosystem Contribution is calculated based on the contribution effect derived from the tendency of *Rakuten Mobile* MNO subscribers to use various services of the Rakuten Group more than non-subscribers, minus the customer referral effect received from each segment. For details, see "Presentation of Financial and Other Information—Note Regarding Comparability of Financial Information—Segment Reorganizations—2024 Changes in Measurement Methods of Segment Revenue and Segment Profit (Loss)."

(6) For calculation of Adjusted EBITDA, see "—Adjusted/Non-GAAP Financial Measures."

The following table shows certain key performance indicators of *Rakuten Mobile* as of the dates and for the periods shown:

	As of and for the three-month period ended							
	March 31, 2021	**June 30, 2021**	**September 30, 2021**	**December 31, 2021**	**March 31, 2022**	**June 30, 2022**	**September 30, 2022**	**December 31, 2022**
ARPU[1] (yen):								
Data	54	110	260	424	638	1,043	1,205	1,539
Calls	91	86	101	82	71	75	89	87
Options	94	90	92	107	128	156	161	185
Others	0	0	0	0	0	0	0	0
Total MNO	239	286	453	613	837	1,274	1,455	1,811
Subscribers (million people)[2]:								
MNO (excluding BCP and MVNE)[3]	2.86	3.66	4.11	4.50	4.91	4.76	4.53	4.46
MVNE Subscribers[3]	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
BCP	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MVNO	1.49	1.15	1.00	0.87	0.77	0.70	0.63	0.58
Total	4.35	4.81	5.10	5.37	5.68	5.45	5.17	5.04
MNO Churn Rate[4]	1.0%	1.2%	1.1%	1.6%	2.5%	5.4%	4.6%	3.8%
Average data usage (GB) per month by B2C subscribers	9.5	10.2	10.6	10.5	9.9	10.9	14.2	16.8

	As of and for the three-month period ended						
	March 31, 2023	**June 30, 2023**	**September 30, 2023**	**December 31, 2023**	**March 31, 2024**	**June 30, 2024**	**September 30, 2024**
ARPU[1] (yen):							
Data	1,672	1,713	1,740	1,688	1,651	1,708	1,719
Calls	79	81	87	85	83	84	91
Options	202	209	209	202	195	194	193
Others	7	13	20	32	37	35	36
Subtotal	1,960	2,016	2,056	2,007	1,966	2,021	2,039
Ecosystem (Revenue uplift per subscribers)[2]	811	845	912	912	845	800	762
Total ARPU[2]	2,771	2,861	2,968	2,918	2,812	2,821	2,801
Net ARPU[2]	2,286	2,384	2,464	2,350	2,312	2,360	2,361
Subscribers (million people)[3]:							
MNO (excluding BCP and MVNE)[4]	4.56	4.77	5.10	5.90	6.33	6.88	7.21
MVNE Subscribers[4]	0.01	0.01	0.03	0.08	0.15	0.22	0.29
BCP	0.00	0.04	0.10	0.13	0.14	0.13	0.13
MVNO	0.53	0.48	0.44	0.41	0.37	0.32	0.29
Total	5.10	5.30	5.67	6.52	6.99	7.55	7.93
MNO Churn Rate[5]	3.1%	2.4%	2.1%	1.7	1.5	1.5	1.7%
Average data usage (GB) per month by B2C subscribers	16.8	18.9	22.4	23.3	23.5	24.5	29.0

Notes:

(1) ARPU = revenue from each service ÷ average number of subscribers between the end of the most recent quarter and the previous quarter. From the three-month period ended March 31, 2023, due to definition change of "subscribers", past amounts have been retroactively adjusted.

(2) Ecosystem ARPU (i.e., the effect of Mobile Ecosystem Contribution) is reflected in the MNO ARPU from the three-month period ended September 30, 2024. Accordingly, retroactive revisions have been made from the three-month period ended March 31, 2023. "Net" ARPU is net of cost of sales associated with revenue uplift attributable to *Rakuten Mobile* MNO subscribers and customer referral effect from group companies to the mobile business.

(3) Due to definition change, past amounts have been retroactively adjusted.

(4) From the three-month period ended March 31, 2024, the number of MNO subscribers includes the number of *Rakuten Turbo* home router subscribers but excludes the number of MVNE subscribers, which used to be included in the number of MNO subscribers prior to the three-month period ended March 31, 2024. From the three-month period ended March 31, 2024, the number of MVNE subscribers are presented as a separate line item. These changes have been reflected retroactively to cover all periods presented in the table above.

(5) Churn Rate = total number of churns in the most recent quarter ÷ average number of subscribers between the end of the most recent quarter and the previous quarter.

(6) Population coverage is calculated based on areas where communication is available in 50% or more of the locations in approximately 500 square meter plots used for the census, rather than overall coverage of land area.

(7) Outdoor Sub6 macro base stations.

General Factors

Acquisitions and Investments in Associates and Joint Ventures

Because the technologies and business models used in Internet services change at a very rapid pace, we have found it strategically useful to grow our business through the acquisition of other established businesses as well as early-stage growth companies in addition to pursuing organic growth. This allows us to abbreviate substantially the lead time that would otherwise be necessary to establish new businesses or use new technologies and business models to expand our present businesses. In addition, we have recently made several acquisitions internationally as part of our strategy to strengthen our global platform and integrate existing users and members of such overseas businesses into our Rakuten Ecosystem. Our strategic investments and acquisitions may affect our financial results. For example, new acquisitions may not increase our revenue materially in the short term, may have the effect of lowering our margins if the newly acquired businesses have lower overall margins than our margins and may result in us carrying a large amount of goodwill and intangible assets, and incurring significant impairment losses when expected returns are unrealized. We have typically financed our acquisitions in whole or in part through incurring additional borrowings, which increases our interest expenses.

In recent years, we have made a number of acquisitions and investments in companies in a variety of industries. Our recent acquisitions and investments have included the following:

Investment in Altiostar. In May 2019, we completed an investment in Altiostar, a U.S.-based company that provides a 5G-ready virtualized software solution. In August 2021 we further made a further investment with a total consideration of ¥41,570 million in cash and ¥1,097 million of contingent consideration in Altiostar, making it into our indirect wholly-owned subsidiary.

Acquisition of Innoeye. In 2020, we completed our acquisition of Innoeye, LLC and Innoeye Technologies Pvt. Ltd., which together form an engineering technology company that developed an end-to-end platform process automation solution that we have already deployed to support our 4G and 5G platform. Innoeye, LLC and Innoeye Technologies Pvt. Ltd. became a part of *Rakuten Symphony* in 2021.

Acquisition of Interest in SY Holdings Co., Ltd. (currently Seiyu Holdings Co., Ltd.). On March 1, 2021, we completed our indirect acquisition of a 20% stake in SY Holdings Co., Ltd. (currently Seiyu Holdings Co., Ltd.) from Walmart Inc. Seiyu Holdings Co., Ltd.'s wholly-owned subsidiary, Seiyu Co., Ltd. operates supermarkets, shopping centers and department stores in Japan. We were also joined by KKR & Co. Inc., which acquired a 65% stake in the current Seiyu Holdings Co., Ltd. from Walmart Inc. On May 12, 2023, we announced that we had resolved to sell all shares of Seiyu Holdings Co., Ltd. held by us to SY Investment L.P., which is a subsidiary of KKR & Co. Inc. The sale was completed on May 31, 2023.

Establishment of JP Rakuten Logistics, Inc. On March 12, 2021, we entered into a business alliance agreement with Japan Post Holdings and its subsidiary, Japan Post Co., in order to collaborate across multiple fields with initiatives that may include the creation of shared logistics centers and delivery and pick-up systems, data sharing, joint commercialization of a digital transformation platform for logistics (including the establishment of a new company) and initiatives to expand usage of Rakuten fulfillment centers and Japan Post Co.'s "Yu-Pack" parcels as well as the acceptance of applications for *Rakuten Mobile*'s MNO network at post offices owned by Japan Post Co. See "Business—Alliances and Investments—Japan Post." As part of this alliance, we established JP Rakuten Logistics, Inc., our joint venture with Japan Post Co., to which substantially all of our logistics business has been transferred.

Acquisition of Estmob, Inc. On October 25, 2021, we agreed to acquire Estmob, Inc., or Estmob, a South Korean peer-to-peer file transfer solution start-up that created *Send Anywhere*. The acquisition will establish a research and development presence in South Korea for *Rakuten Symphony* and leverage Estmob's top-class developer team and existing technology to accelerate product development for *Rakuten Symphony*'s Internet and Ecosystem services. On April 1, 2022, Estmob changed its name to Rakuten Symphony Korea, Inc.

Acquisition of ROBIN SYSTEMS, INC. On February 28, 2022, *Rakuten Symphony* agreed to acquire leading Silicon Valley-based cloud technology start-up, Robin.io. The addition of Robin.io's multi-cloud mobility, hyper automation and orchestration capabilities to the *Rakuten Symphony* portfolio allows the creation of highly efficient, consistent high performance cloud infrastructure and operations, from edge to central data center.

Acquisition of SKY ESTATE Inc. On April 20, 2022, we agreed to acquire all shares of SKY ESTATE Inc., a leading developer of various drone-related businesses, including drone pilot dispatch and training. SKY ESTATE Inc., which was renamed Rakuten Drone, Inc. in January 2023, is a wholly owned subsidiary.

Establishment of Rakuten Mobile Infra Solution, Inc. On July 1, 2022, *Rakuten Mobile* and TEPCO established *Rakuten Mobile Infra Solution*, a new company to provide construction solutions for physical base stations. *Rakuten Mobile Infra Solution* will further improve the efficiency of base station construction by effectively utilizing public assets to expand *Rakuten Mobile*'s network, developing installation specifications for *Rakuten Mobile*'s base station equipment and managing installation work. Through this work, the company aims to contribute to the provision of a stable communications environment.

Establishment of MiRaI Wealth Partners K.K. On April 23, 2024, MiRaI Wealth Partners K.K., a company newly established by *Rakuten Securities* and Mizuho Securities, began its operation to provide financial product intermediary services.

Investment in Japan Alternative K.K. On August 6, 2024, *Rakuten Securities Holdings* announced its investment in Japan Alternative Market K.K., a newly established company with the purpose of operating a PTS for securities. On November 19, 2024, Japan Alternative Market K.K. obtained a certification of PTS operation. As of the time of announcement, the plan for Japan Alternative Market K.K. to begin operating its PTS remains undecided.

Monetization of Early-stage Businesses

We operate a number of early-stage businesses, and businesses operating in emerging industries, including *Rakuten TV*, *Rakuten Music* and *Rakuten Wallet*, which have not reached the stage of stable profitability and have been generating operating losses. We have succeeded in reducing the operating losses of many of our early-stage businesses by improving financial performance while maintaining high growth in revenue, but our ability to effectively monetize these businesses will continue to affect our overall results of operations. Our ability to monetize our early-stage businesses depends on a number of factors, including competition in the relevant industry, the ability to achieve synergies with our more established businesses and the evolution of business conditions in the relevant industries.

Impairment, Depreciation and Amortization

We carry a significant amount of intangible assets, primarily in connection with our acquisitions. As of September 30, 2024, we had ¥1,049,403 million in intangible assets, including ¥603,188 million in goodwill. We assess at each quarterly reporting date whether there is an indication that intangible and tangible assets may be impaired, and when such an indication is identified we estimate the recoverable amount of that asset. In addition, we perform impairment testing of goodwill and other intangible assets with indefinite useful lives at least annually, regardless of whether there is any indication of impairment. If the carrying amount of an asset exceeds its estimated recoverable amount, we recognize an impairment loss on that asset. A large portion of our goodwill has been recognized in connection with the acquisition of early-stage businesses and businesses in emerging industries, including businesses that are susceptible to fluctuations in financial performance but nevertheless have a substantial purchase price due to expectations of future growth.

Particularly as we have carried out capital investments for our MNO network, we have also recognized a significant amount of property, plant and equipment. As of September 30, 2024, consolidated property, plant and equipment totaled ¥1,208,523 million. 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 recognize an impairment loss when the recoverable amount is lower than the carrying amount of an asset. As we continue to invest in the development of our MNO network, we expect the amount of property, plant and equipment to continue to increase. In the third quarter of 2024, *Rakuten Mobile* sold a portion of its mobile network assets to Orchestra G.K., a special purpose vehicle established within Rakuten Group to facilitate fundraising from external investors. *Rakuten Mobil*e later entered into a leaseback agreement with a lease period of ten years in order to continue operating these assets with a consortium of global infrastructure investors, led by Macquarie Asset Management. This arrangement would transfer a portion of our owned property, plant and equipment into right-of-use assets. For these right-of-use assets, we measure them 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. See "Risk Factors—Risks Relating to Our Mobile Segment—We may be required to recognize significant impairment losses on our property, plant and equipment or intangible assets, particularly with respect to *Rakuten Mobile*."

While goodwill is not amortized under IFRS, we recognize amortization in connection with certain other intangible assets with definite useful lives, including intangible assets that are acquired in business combinations, such as trademarks and other similar items. Within intangible assets with definite useful lives, the value of customer relationships acquired through business combinations are amortized based on the ratio of expected revenue occurring in a year over the total expected revenue over the useful life. Other intangible assets are amortized using the straight-line method over the estimated useful life of the assets. We also recognize depreciation in connection with our property, plant and equipment. Assets classified as property, plant and equipment are generally depreciated using the straight-line method over their estimated useful lives. Given the increases in our property, plant and equipment, related depreciation expense has increased in recent years, and we expect this trend to continue.

Foreign Exchange Rates

The results of operations of our overseas operations are impacted by movements in foreign exchange rates. Expenses incurred in overseas business operations are denominated in foreign currencies, in particular the U.S. dollar, Canadian dollar and euro. Our results of operations reported in yen are impacted by the translation effect upon conversion of the local currency results of our overseas subsidiaries, which are reported in U.S. dollars, Canadian dollars, euros and other currencies. A strengthening of the U.S. dollar against the yen will generally increase the profit or losses from our overseas subsidiaries in our consolidated results and conversely a weakening of the U.S. dollar against the yen will generally decrease the profit or losses from these subsidiaries.

Employee Benefits Expenses

Employee benefits expenses primarily consist of personnel expenses in our various businesses, including for computer systems engineers, web designers, marketing personnel and salespeople working with *Rakuten Ichiba* merchants at our neighborhood sales offices. Employee benefits expenses is primarily composed of wages and salaries but also includes retirement benefits and stock option expenses relating to directors and employees. In terms of retirement benefits, we provide a lump sum payment to our employees at the time of their retirement in respect of which we recognize provisions. However, we do not set aside external funds for purposes of providing such lump sum payments. The amounts of the lump sum payments are determined for each employee in accordance with our retirement benefit policies and depends on the employee's wages and salaries and duration of their employment. Our stock-based compensation includes stock options granted to a wide range of personnel including non-management employees starting from the second year of employment and management-level employees and directors in and outside of Japan. We consider such personnel expenditures to be an important way to motivate employees to enhance corporate and shareholder value as well as a way of attracting and retaining talented personnel.

We grant stock options as incentive compensation for certain of our directors, audit and supervisory board members, executive officers and employees. We recognize the fair value of stock options expected to vest as a personnel expense from the grant date over the relevant vesting period. We recognize the corresponding amount as an increase in capital surplus in our consolidated statements of financial position. The fair value of the stock options is measured using the Black-Scholes model or other models, taking into account the terms of the options granted. We regularly review the assumptions and revise estimates of the number of options that are expected to vest.

Rakuten Points

Costs associated with *Rakuten Points* granted in connection with sales of goods and services meeting certain conditions, such as transactions where we act as the direct seller, are treated as a deduction of revenue in our consolidated statements of income, with a corresponding increase in the provision for customer points in our consolidated statements of financial position. Upon redemption of the outstanding points, we decrease the provision for customer points by an amount corresponding to the points redeemed. In connection with ordinary sales by registered merchants, such merchants bear the cost of *Rakuten Points* granted by reimbursing Rakuten Group, Inc. for the cost of the points granted based upon a percentage of ordinary sales. The cost of awarding *Rakuten Points* to users during campaigns such as Rakuten Super Sales or other similar campaigns that we carry

out on a continuous basis is generally borne by us and is recognized as an expense when the points are granted. We capitalize the cost of certain *Rakuten Points* granted in connection with acquisition of new users as an asset that is amortized over the estimated life of the customer contract period. In recent years we have offered sometimes significant promotional bonus points, for example, for new subscriptions to *Rakuten Mobile*. Such points are recorded as operating expenses of the relevant business.

Critical Accounting Policies and Estimates

We prepare our annual and semi-annual consolidated financial statements in accordance with IFRS. In doing so, we are required to make estimates and assumptions that affect our reported amounts of assets, liabilities, revenue and expenses, as well as related disclosure of contingent assets and liabilities. In addition, certain accounting principles require significant judgment by management in applying complex accounting principles to individual transactions to determine the most appropriate accounting treatment. Although our actual results may be different from the results anticipated in the estimates we use, we base our estimates on our historical experience and other assumptions that we consider reasonable under the circumstances based on the best information available to us at the time we make our estimates.

We refer to some of our accounting policies as "critical accounting policies" because:

- the estimates involved in these policies require us to make assumptions about matters that are uncertain at the time the estimates are made; and
- different estimates that we reasonably could have used in the current period, or changes in the accounting estimate that are reasonably likely to occur from period to period, could have a material impact on the presentation of our financial condition, or changes in our financial condition or results of operations.

We consider the following significant accounting policies to be our critical accounting policies:

Adoption of the Standards for the Preparation of Quarterly Financial Statements and Application of IAS 34 "Interim Financial Reporting" with Reduced Disclosures

From April 1, 2024, the statutory quarterly disclosure requirements under the FIEA applicable to the first and third quarterly reports and the review requirements for financial statements included in such reports by an independent auditor, which were previously mandatory for certain types of companies including listed companies, have been abolished. While companies listed on the Tokyo Stock Exchange are still required to disclose their first and third quarterly earnings reports, such reports are based on the Standards, and review for financial statements included in such reports by independent auditors is optional in principle. The Standards permit reduced disclosures as compared to those which were required under the FIEA in interim financial statements prepared under Japanese GAAP, IFRS or U.S. GAAP, as applicable.

Our unaudited condensed quarterly consolidated financial statements as of and for the three-month and nine-month periods ended September 30, 2024 and comparative information for the three-month and nine-month periods ended September 30, 2023 and the related notes, included elsewhere in this offering circular, have been prepared in accordance with Article 5, Paragraph 2 of the Standards, applying the provisions for reduced disclosures as set forth in Article 5, Paragraph 5 of the Standards. Accordingly, our unaudited condensed quarterly consolidated financial statements have been prepared based on IAS 34, except that certain of the required disclosures and notes have not been given. Therefore, they are not a set of condensed financial statements in accordance with IAS 34.

Adoption of IAS 1 "Presentation of Financial Statements"

Beginning in the nine-month period ended September 30, 2024, we adopted IAS 1 "Presentation of Financial Statements," which (i) clarifies the method in which an entity classifies debt and other financial liabilities as current or non-current and (ii) improves information that an entity discloses regarding non-current liabilities with future covenants. The adoption of this accounting standard does not have a material impact on our quarterly financial statements, and no retrospective adjustments have been made to the periods prior to the nine-month period ended September 30, 2024.

Adoption of IFRS 17

We adopted IFRS 17 from the year ended December 31, 2023, with the transition date of January 1, 2022. The financial statements for the year ended December 31, 2022 have been restated to reflect the change.

With respect to insurance contract groups issued in the life insurance business, we adopt the full retrospective approach for new contracts in the period between January 1, 2021 and December 31, 2021.

Impairment of Non-Financial Assets

In accordance with IFRS, we consider, at least on a quarterly basis, whether there are indications of impairments of property, plant and equipment, intangible assets, including goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use. If there are any such indications, we estimate the recoverable value of the relevant asset or group of assets. The recoverable amount is the higher of the value in use of such asset and fair value less costs of disposal. Furthermore, for goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use, regardless of whether there are such indications of impairment or not, we estimate the recoverable amount of those assets or related group of assets at least once a year. The recoverable amount of cash generating units is mainly calculated based on estimated future cash flows, estimated growth rates and discount rates. These calculations are based on judgments and assumptions that are made by our management, considering business and market conditions. We consider these assumptions to be significant because, if the assumed conditions change, the estimated recoverable amounts might be significantly different. The assessment of indications of impairment of property, plant and equipment and intangible assets of *Rakuten Mobile* was identified by our independent auditor as a key audit matter in their audit of our financial statements as of and for the years ended December 31, 2021, 2022 and 2023. See the "Independent Auditor's Reports" attached to our audited consolidated financial statements as of and for the years ended December 31, 2022 and 2023 included elsewhere in this offering circular.

Recoverability of Deferred Tax Assets

For temporary differences that are differences between the carrying value of an asset or liability in the consolidated statements of financial position and its tax base, we recognize deferred tax assets and deferred tax liabilities in respect of such temporary differences calculated using the tax rates based on tax laws that have been enacted or substantively enacted by the end of the reporting period and the tax rates that are expected to apply to the period when the deferred tax asset is recovered or the deferred tax liability is settled. Deferred tax assets are recognized for all deductible temporary differences, unutilized tax losses carried forward and unutilized tax credit carried forward to the extent that it is probable that taxable income will be available. The estimation of taxable income in the future is derived from the business plan approved by our management, and is based on management's judgments and assumptions. We consider these assumptions to be significant because changes in the assumed conditions and amendments of tax laws in the future might significantly affect the calculation of the amounts of deferred tax assets and deferred tax liabilities. The recoverability of deferred tax assets of *Rakuten Mobile* for our consolidated taxation group in Japan was identified by our independent auditor as a key audit matter in their audit of our financial statements as of and for the years ended December 31, 2021 and 2022. See the "Independent Auditor's Reports" attached to our audited consolidated financial statements as of and for the years ended December 31, 2021, 2022 and 2023 included elsewhere in this offering circular.

Methods of Determining Fair Value for Financial Instruments Measured at Fair Value Including Derivative Instruments

The fair value of financial assets and financial liabilities, including derivatives, held by Rakuten group companies are estimated based on the following amounts:

- Quoted prices in active markets for identical assets or liabilities;
- Calculations using observable inputs other than quoted prices for the assets or liability, either directly or indirectly; and
- Calculations using valuation techniques incorporating unobservable inputs.

In particular, fair values estimated through valuation techniques that incorporate unobservable inputs are based on the judgments and assumptions of our management, such as appropriate base rates, assumptions and models utilized. We consider these estimates to be significant as it is probable that the changes of estimates and assumptions might have a significant impact on the calculation of the fair value of financial instruments.

Impairment of Financial Assets Measured at Amortized Cost and Debt Instruments Measured at Fair Value through Other Comprehensive Income

We recognize estimated credit losses in respect of financial assets measured at amortized cost and debt instruments based on fair value through other comprehensive income, at the present value of the difference between future contractual cash flows recoverable and future contractual cash flows expected to be received. This includes allowance for doubtful accounts, such as in relation to *Rakuten Card* and *Rakuten Bank*.

When estimating future cash flows, our management considers factors including the possibility of default, historical trends concerning the amount of credit loss and reasonably expected future events. If these estimates and assumptions change, the amount of any impairment losses for financial assets measured at amortized cost and debt instruments measured at fair value might vary widely. Therefore, we consider these estimates to be significant.

Provisions

We record certain provisions, such as provisions for our points programs, including the *Rakuten Point* rewards program, through which we grant points to customers in connection with certain user activities, including sales of products and services, new membership registration, customer referrals and limited-time promotions. Users are able to exchange accumulated points for products and services, obtain discounts or transfer points to *Rakuten Edy* e-money or third-party point programs. Points have an expiration date and once they expire a customer forfeits the right to use them. The cost of the majority of points granted to customers is borne by registered merchants unaffiliated with us in connection with sales to *Rakuten Ichiba* users. The cost of awarding *Rakuten Points* to users during campaigns such as Rakuten Super Sales or other similar campaigns that we carry out on a continuous basis is generally borne by us.

We record a provision for customer points in anticipation of the future use of points by users. We use historical experience of point usage to estimate the provision for our *Rakuten Point* rewards program, which involves the subjective judgment of our management and various underlying assumptions. We consider the estimates underlying the provision for customer points to be significant as it is probable that changes of our estimates and underlying assumptions could have a significant impact on the calculation of the amount of the provision. There is inherent uncertainty regarding the extent of usage of points by users, and we may need to revise our estimates and underlying assumptions in the future.

From the second quarter ended June 30, 2022, the allocation method of point expenses in the headquarters administrative departments and business departments has been changed and applied retrospectively. In accordance with this change, segment revenue and segment profit in the Internet Services segment each decreased by ¥4,197 million for the year ended December 31, 2021, compared to those before the retrospective application. This change has no impact on consolidated revenue, Non-GAAP operating loss, or operating loss.

Measurement of Post-Employment Benefit Obligations

Certain of our group companies have defined benefit retirement plans. The present value of defined benefit obligations and related service costs are calculated on the basis of actuarial assumptions. Actuarial assumptions require making estimates and judgments on variables such as discount rates. Actuarial assumptions are determined based on assumptions, utilizing the support of external specialists. If these estimates and assumptions were to change, the amount of our employee retirement benefit liabilities may vary. Therefore, we consider these estimates to be significant.

Measurement of Lease Liabilities

Our group companies determine lease terms by taking into account the non-cancellable period of a lease together with the period which is reasonably certain to be extended and the period which is reasonably certain not to be terminated. Specifically, the lease term is estimated by taking into consideration whether an extension option or a termination option is included, the probability of that option being exercised, and other factors. We consider these estimations to be significant, as it is probable that depending on the results of future contract renewal negotiations, they might cause a significant impact on right-of-use assets and lease liabilities.

New Accounting Standards

For a list of new accounting standards, revised standards and new interpretations that had been issued but had not been adopted on the date on which our board of directors approved our consolidated financial

statements, see Note 1(8) to our consolidated financial statements as of and for the year ended December 31, 2023 included elsewhere in this offering circular.

Results of Operations

The following table shows our consolidated statement of income information for the years ended December 31, 2021, 2022 and 2023 and for the nine-month periods ended September 30, 2023 and 2024.

	For the year ended December 31,			For the nine-month period ended September 30,(1)	
	2021	2022	2023	2023	2024
	(in millions of yen)				
Revenue	¥1,681,757	¥1,920,894	¥2,071,315	¥1,491,239	¥1,617,621
Operating expenses	1,966,419	2,254,857	2,234,959	1,651,698	1,659,095
Other income	108,037	8,372	10,272	7,897	12,674
Other expenses	18,101	46,021	59,485	27,016	22,266
Operating income (loss)	(194,726)	(371,612)	(212,857)	(179,578)	(51,066)
Financial income	18,904	115,432	73,417	67,971	40,893
Financial expenses	38,642	156,884	64,570	57,814	80,936
Share of income (losses) of investments in associates and joint ventures	1,834	(2,548)	(13,731)	(11,023)	(6,975)
Income (loss) before income tax	(212,630)	(415,612)	(217,741)	(180,444)	(98,084)
Income tax expense (benefit)	(76,804)	(35,368)	111,794	21,944	29,057
Net income (loss)	¥ (135,826)	¥ (380,244)	¥ (329,535)	¥ (202,388)	¥ (127,141)

Note:

(1) Beginning in the three-month period ended March 31, 2023, we have adopted the provisions of IFRS 17. For details on the adoption, see "Presentation of Financial and Other Information—Note Regarding Comparability of Financial Information—Other Changes in Presentation of Financial Information—Adoption of IFRS 17."

Comparison of the Nine-Month Period Ended September 30, 2024 with the Nine-Month Period Ended September 30, 2023

Revenue

Revenue for the nine-month period ended September 30, 2024 was ¥1,617,621 million, an increase of ¥126,382 million, or 8.5%, compared to revenue of ¥1,491,239 million for the nine-month period ended September 30, 2023.

Revenue of the Internet Services segment increased for the nine-month period ended September 30, 2024 compared to the same period in prior year. In our domestic e-commerce businesses, revenue and profit both increased compared to the same period in prior year, while the growth rate of GMS decreased temporarily compared to the same period in 2023 due to the impact of changes in marketing measures aimed at improving profitability. At *Rakuten Ichiba*, we focused on acquiring new customers and promoting cross-use. In our online travel booking service, *Rakuten Travel*, despite the announcement of a major earthquake warning by the Japanese government and the occurrence of multiple natural disasters such as typhoons, GTV maintained its growth trend. In other Internet services, including overseas Internet services, the online cash back service *Rakuten Rewards* in the United States continued to show solid sales growth. In the overseas content business, sales of new color-compatible devices for the e-book service *Kobo* continued to perform well, and the number of users increased in the video streaming service *Viki*. Each business contributed to achieve steady business growth.

Revenue of the FinTech segment increased for the nine-month period ended September 30, 2024 compared to the same period in prior year. In our credit card-related services, the customer base continued to expand after the cumulative number of *Rakuten Card* issued exceeded 31 million in June 2024 including multiple cards issued to the same card holder and the shopping transaction value increased. In addition, the optimization of marketing also contributed to a significant increase in profit. In securities services, despite the impact of a stock price crash in Japan in August 2024, the diversification of revenue sources, among other factors, has led to a recovery to the level of operating income before the domestic stock trading commission was removed. The payment service *Rakuten Payment* also continued to grow its business through efficient marketing measures.

Revenue of the Mobile segment increased for the nine-month period ended September 30, 2024 compared to the same period in the prior year. With continuing efforts to improve network quality and increase

our brand recognition, we strengthened customer acquisition measures by appealing to potential customers with the convenience and usage benefits of *Rakuten Mobile* users. As a result, in October 2024, the number of subscribers (the sum of MNO, including corporate BCP Plans, MVNE and MVNO) exceeded 8 million lines. In addition, both B2C and B2B ARPU increased compared to the three months ended September 30, 2023, resulting in a steady increase in communication fee income. In September 2024, we launched the *SAIKYO Senior Program* and, together with various programs such as the *SAIKYO Family Program* and the *SAIKYO Seishun Program*, we aim to accelerate user acquisition and maximize customer satisfaction by providing easy-to-understand, cost-effective services that meet various user needs.

Operating Expenses

Operating expenses for the nine-month period ended September 30, 2024 were ¥1,659,095 million, an increase of ¥7,397 million, or 0.4%, compared to operating expenses of ¥1,651,698 million for the nine-month period ended September 30, 2023. This increase was due mainly to increased depreciation and amortization, increased interest expenses in our FinTech segment and increased cost of sales in our insurance business, offset in part by decreases in advertising and promotion expenses and consignment and subcontract expenses.

Other Income

Other income for the nine-month period ended September 30, 2024 was ¥12,674 million, an increase of ¥4,777 million, or 60.5%, compared to other income of ¥7,897 million for the nine-month period ended September 30, 2023. This increase was due mainly to the recording of gains on sales of investments in associates and joint ventures, and gains from the sale of shares of Min-Shu, Inc.

Other Expenses

Other expenses for the nine-month period ended September 30, 2024 were ¥22,266 million, a decrease of ¥4,750 million, or 17.6%, compared to other expenses of ¥27,016 million for the nine-month period ended September 30, 2023. This decrease was due mainly to the absense of costs incurred with regard to the fraudulent acts committed by former employees of a subsidiary and suppliers in other expenses for the nine-month period ended September 30, 2023, partially offset by expenses related to the resolution of litigation with International Business Machines Corporation included for the nine months ended September 30, 2024.

Operating Income (Loss)

As a result of the foregoing, operating loss was ¥51,066 million, a decrease of ¥128,512 million, or 71.6%, compared to operating loss of ¥179,578 million for the nine-month period ended September 30, 2023.

Financial Income

Financial income for the nine-month period ended September 30, 2024 was ¥40,893 million, a decrease of ¥27,078 million, or 39.8%, compared to financial income of ¥67,971 million for the nine-month period ended September 30, 2023. This decrease was due mainly to the lower gains of ¥23,920 million on the valuation of derivatives from currency swaps related to foreign currency denominated bonds for the nine-month period ended September 30, 2024, a decrease of ¥22,604 million from ¥46,524 million for the same period of the previous fiscal year, and a decrease of ¥1,509 million in gains on valuation of derivatives from the collar contract for the prepaid variable share forward transactions of shares of Lyft, Inc.

Financial Expenses

Financial expenses for the nine-month period ended September 30, 2024 were ¥80,936 million, an increase of ¥23,122 million, or 40.0%, compared to financial expenses of ¥57,814 million for the nine-month period ended September 30, 2023. This increase was due mainly to the recording of ¥60,112 million interest expenses for the nine-month period ended September 30, 2024, an increase of ¥24,708 million from ¥35,404 million for the same period of the previous fiscal year, and the recording of ¥8,882 million in losses on valuation of securities recorded for the investment in Lyft, Inc. for the nine-month period ended September 30, 2024, partially offset by a decrease of ¥17,185 million in foreign exchange losses compared to the same period in 2023.

Share of Income (Losses) of Investments in Associates and Joint Ventures

Share of losses of investments in associates and joint ventures for the nine-month period ended September 30, 2024 was ¥6,975 million, a decrease of ¥4,048 million, or 36.7%, compared to share of losses of investments in associates and joint ventures of ¥11,023 million for the nine-month period ended September 30, 2023.

Income (Loss) Before Income Tax

As a result of the foregoing, we recorded a loss before income tax of ¥98,084 million for the nine-month period ended September 30, 2024 as compared to loss before income tax of ¥180,444 million for the nine-month period ended September 30, 2023.

Income Tax Expense (Benefit)

We recorded an income tax expense of ¥29,057 million for the nine-month period ended September 30, 2024 as compared to an income tax expense of ¥21,944 million for the nine-month period ended September 30, 2023.

Net Income (Loss)

As a result of the foregoing, our net loss for the nine-month period ended September 30, 2024 decreased from the nine-month period ended September 30, 2023 by ¥75,247 million, or 37.2%, to ¥127,141 million.

Comparison of the Year Ended December 31, 2023 with the Year Ended December 31, 2022

Revenue

Revenue for the year ended December 31, 2023 was ¥2,071,315 million, an increase of ¥150,421 million, or 7.8%, compared to revenue of ¥1,920,894 million for the year ended December 31, 2022.

Revenue of the Internet Services segment increased for the year ended December 31, 2023 compared to the prior year. In *Rakuten Ichiba*, various measures and sales promotion activities aimed at improving convenience and satisfaction of customers successfully led to further retention of customers. Moreover, the online travel booking service, *Rakuten Travel*, saw growth in transaction value compared to the year ended December 31, 2022, due 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 U.S. cash back service *Rakuten Rewards*. In addition, in the investment business, the performance of our investments improved compared to the previous 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.

Revenue of the FinTech segment increased for the year ended December 31, 2023 compared to the prior year. In credit card related services, the cumulative total number of *Rakuten Cards* issued surpassed 30 million in December 2023, including multiple cards issued to the same card holder. 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 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 2023, while in securities services, the total number of general securities accounts reached 10 million in December 2023, further expanding the customer base.

Revenue of the Mobile segment increased for the year ended December 31, 2023 compared to the same period in the prior year. The number of subscribers for *Rakuten Mobile* service surpassed 5.96 million at the end of December 2023 (excluding BCP subscribers) and revenue grew steadily compared to the year ended December 31, 2022 due to an increase in revenue from telecommunication fees and other factors.

Operating Expenses

Operating expenses for the year ended December 31, 2023 were ¥2,234,959 million, a decrease of ¥19,898 million, or 0.9%, compared to operating expenses of ¥2,254,857 million for the year ended December 31, 2022. This decrease was due mainly to a reduction in network expenses and selling, general and administrative expenses including depreciation.

Other Income

Other income for the year ended December 31, 2023 was ¥10,272 million, an increase of ¥1,900 million, or 22.7%, compared to other income of ¥8,372 million for the year ended December 31, 2022. This increase was partially due to an increase in foreign exchange gains.

Other Expenses

Other expenses for the year ended December 31, 2023 were ¥59,485 million, an increase of ¥13,464 million, or 29.3%, compared to other expenses of ¥46,021 million for the year ended December 31, 2022. This increase was due mainly to an impairment loss of ¥15,922 million related to *Rakuten Mart* (formerly known as *Rakuten Seiyu Netsuper)* recorded in the year ended December 31, 2023, which was partially offset by a decrease in foreign exchange losses and a decrease in losses on valuation of investment securities.

Operating Income (Loss)

As a result of the foregoing, operating loss was ¥212,857 million, a decrease of ¥158,755 million, or 42.7%, compared to operating loss of ¥371,612 million for the year ended December 31, 2022.

Financial Income

Financial income for the year ended December 31, 2023 was ¥73,417 million, a decrease of ¥42,015 million, or 36.4%, compared to financial income of ¥115,432 million for the year ended December 31, 2022. This decrease was due mainly to the lower gains on valuation of derivatives recorded in the year ended December 31, 2023 as compared to the prior year, partially offset by an increase in gains on valuation of investment securities related to an investment in Lyft, Inc. of ¥21,011 million recorded in the year ended December 31, 2023. Gain 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 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 year ended December 31, 2023.

Financial Expenses

Financial expenses for the year ended December 31, 2023 were ¥64,570 million, a decrease of ¥92,314 million, or 58.8%, compared to financial expenses of ¥156,884 million for the year ended December 31, 2022. This decrease was due mainly to the recording of ¥109,341 million in losses on valuation of securities related to the investment in Lyft, Inc. in the year ended December 31, 2022, as compared to no losses on valuation of investment securities related to Lyft, Inc. in the year ended December 31, 2023.

Share of Income (Losses) of Investments in Associates and Joint Ventures

Share of losses of investments in associates and joint ventures for the year ended December 31, 2023 was ¥13,731 million, an increase of ¥11,183 million, or 438.9%, compared to share of losses of investments in associates and joint ventures of ¥2,548 million for the year ended December 31, 2022.

Income (Loss) Before Income Tax

As a result of the foregoing, we recorded a loss before income tax of ¥217,741 million for the year ended December 31, 2023 as compared to loss before income tax of ¥415,612 million for the year ended December 31, 2022.

Income Tax Expense (Benefit)

We recorded an income tax expense of ¥111,794 million for the year ended December 31, 2023 as compared to an income tax benefit of ¥35,368 million for the year ended December 31, 2022.

Net Income (Loss)

As a result of the foregoing, our net loss for the year ended December 31, 2023 decreased from the year ended December 31, 2022 by ¥50,709 million, or 13.3%, to ¥329,535 million.

Comparison of the Year Ended December 31, 2022 with the Year Ended December 31, 2021

Revenue

Revenue for the year ended December 31, 2022 was ¥1,920,894 million, an increase of ¥239,137 million, or 14.2%, compared to revenue of ¥1,681,757 million for the year ended December 31, 2021.

Revenue of the Internet Services segment increased for the year ended December 31, 2022 compared to the prior year. This increase was due mainly to an increase in customer retention supported by the growing demand for online shopping in line with the continued expansion of stay-at-home consumption, resulting in a continuous growth in transaction volume, even compared with the prior year when we benefited from the effects of the COVID-19 pandemic, improving our financial performance. In addition, *Rakuten Travel* saw significant growth in transaction volume compared to the previous year due to the success of the Japanese government's measures to support the domestic tourism industry as well as our sales promotion measures in line with the recovery in demand for domestic travel. In other Internet Services including overseas Internet services, revenue grew mainly in the US cash back service "*Rakuten Rewards*."

Revenue in the FinTech segment increased for the year ended December 31, 2022 compared to the prior year due mainly to the increased number of *Rakuten Card* members, with the number of issued cards exceeding 28 million (including second cards issued to the same cardholder) in December 2022, and a recovery in offline shopping as well as an increase in transaction volume in online shopping with continued demand growth for stay-at-home consumption. At *Rakuten Bank*, the number of new bank accounts continued to rise, with the total number of accounts reaching 13 million accounts in September 2022. At *Rakuten Securities*, we achieved a recorded result in domestic stock transaction volume and a further increase in customer retention.

Revenue of the Mobile segment increased for the year ended December 31, 2022 compared to the prior year due mainly to an increase in the number of users of *Rakuten Mobile*'s MNO network paying telecommunication charges following the expiration of our sales promotion campaign that provided mobile telecommunications free of charge for one year.

Operating Expenses

Operating expenses for the year ended December 31, 2022 were ¥2,254,857 million, an increase of ¥288,438 million, or 14.7%, from operating expenses of ¥1,966,419 million for the year ended December 31, 2021. This increase was due mainly to an increase in employee benefits including wages and salaries and legal welfare expenses as well as an increase in network-related expenses in the Mobile segment in connection with the installation of physical base stations.

Other Income

Other income for the year ended December 31, 2022 was ¥8,372 million, a decrease of ¥99,665 million, or 92.3%, from other income of ¥108,037 million for the year ended December 31, 2021. This was due to effect of a gain on step acquisition of ¥59,496 million a result of making the former equity method investment, Altiostar, an indirect wholly owned subsidiary of the Company recorded in the previous year.

Other Expenses

Other expenses for the year ended December 31, 2022 was ¥46,021 million, an increase of ¥27,920 million, or 154.2%, from other expenses of ¥18,101 million for the year ended December 31, 2021. This increase was mainly due to the effect of expenses of ¥11,996 million recorded in connection with fraudulent activity by a former employee of *Rakuten Mobile* and certain former business partners, consisting of write-downs of certain assets that we acquired at a fraudulently inflated price.

Operating Loss

Our operating loss for the year ended December 31, 2022 was ¥371,612 million, an increase of ¥176,886 million, or 90.8%, from operating loss of ¥194,726 million for the year ended December 31, 2021. This increase was mainly due to expenses associated with the continued investment in construction of physical base stations for the Mobile segment, despite our strong business performance and increases in sales revenue in the Internet Services and FinTech segments.

Financial Income

Financial income for the year ended December 31, 2022 was ¥115,432 million, an increase of ¥96,528 million, or 510.6%, from financial income of ¥18,904 million for the year ended December 31, 2021. This increase was due mainly to the recording of gains on valuation of derivatives on a collar transaction for the forward sale of Lyft, Inc. totaling ¥99,949 million and on a currency swap for the undated subordinated notes of ¥14,940 million.

Financial Expenses

Financial expenses for the year ended December 31, 2022 was ¥156,884 million, an increase of ¥118,242 million, or 306.0%, from financial expenses of ¥38,642 million for the year ended December 31, 2021. This increase was due mainly to recording of losses on the fair value measurement of investment securities related to an investment in Lyft of ¥109,341 million.

Share of Income (Losses) of Investments in Associates and Joint Ventures

Share of losses of investments in associates and joint ventures for the year ended December 31, 2022 was ¥2,548 million, compared to the share of income of investments in associates and joint ventures of ¥1,834 million for the year ended December 31, 2021. This was mainly due to the recording of a gain of ¥8,307 million, allocated based on the ratio of voting rights holding, reflecting gain arising on the acquisition as a result of a bargain purchase with respect to Seiyu Holdings Co., Ltd. in the year ended December 31, 2021.

Loss Before Income Tax

As a result of the foregoing, we recorded a loss before income tax of ¥415,612 million for the year ended December 31, 2022, an increase of ¥202,982 million, or 95.5%, from loss before income tax of ¥212,630 million for the year ended December 31, 2021.

Income Tax Benefit

We recorded an income tax benefit of ¥35,368 million for the year ended December 31, 2022, a decrease of ¥41,436 million, or 54.0%, from income tax benefit of ¥76,804 million for the year ended December 31, 2021.

Net Loss

As a result of the foregoing, our net loss for the year ended December 31, 2022 increased from the prior year by ¥244,418 million, or 179.9%, to ¥380,244 million.

Results of Operations by Operating Segment for the Years Ended December 31, 2021, 2022 and 2023 and the Nine-Month Periods Ended September 30, 2023 and 2024

Comparison of the Nine-Month Period Ended September 30, 2024 with the Nine-Month Period Ended September 30, 2023

The following tables show selected statement of operations information for each segment for the nine-month periods ended September 30, 2023 and 2024. The amounts presented in the tables below are before intercompany eliminations.

	For the nine-month period ended September 30, 2023[1]			
	Internet Services	FinTech	Mobile	Total
	(in millions of yen)			
Segment revenue	¥867,016	¥533,589	¥ 265,086	¥1,665,691
Segment operating expenses	824,065	445,368	531,383	1,800,816
Segment profit (loss):				
Before considering Mobile Ecosystem Contribution	42,951	88,221	(266,297)	(135,125)
Mobile Ecosystem Contribution[1]	(6,764)	(8,820)	15,584	—
After considering Mobile Ecosystem Contribution	36,187	79,401	(250,713)	(135,125)

	For the nine-month period ended September 30, 2024[1]			
	Internet Services	FinTech	Mobile	Total
	(in millions of yen)			
Segment revenue	¥904,169	¥604,383	¥ 300,788	¥1,809,340
Segment operating expenses	847,494	479,060	488,858	1,815,412
Segment profit (loss):				
Before considering Mobile Ecosystem Contribution	56,675	125,323	(188,070)	(6,072)
Mobile Ecosystem Contribution[1]	(9,267)	(10,618)	19,885	—
After considering Mobile Ecosystem Contribution	47,408	114,705	(168,185)	(6,072)

Internet Services

In the Internet Services segment, segment revenue for the nine-month period ended September 30, 2024 increased from the nine-month period ended September 30, 2023 by ¥37,153 million, or 4.3%, to ¥904,169 million, while segment profit before adjustment for the nine-month period ended September 30, 2024 increased from the nine-month period ended September 30, 2023 by ¥13,724 million, or 32.0%, to ¥56,675 million. The effect of Mobile Ecosystem Contribution (in other words, the amount deducted from segment profit before considering Mobile Ecosystem Contribution) for the nine-month period ended September 30, 2024 increased from the nine-month period ended September 30, 2023 by negative ¥2,503 million, or 37.0%, to negative ¥9,267 million, and segment profit after adjustment for the nine-month period ended September 30, 2024 increased from the nine-month period ended September 30, 2023 by ¥11,221 million, or 31.0%, to ¥47,408 million. In our domestic e-commerce businesses, due to the impact of the change in marketing measures aimed at improving profitability, the growth in GMS slowed down, but both segment revenue and segment profit improved. At our online shopping mall, *Rakuten Ichiba*, we focused on acquiring new customers and facilitating cross-use. At our online travel booking business, *Rakuten Travel*, we were able to acquire new customers through various measures to improve convenience and customer satisfaction, despite the conclusion of government support measures for the travel industry in the prior year. In other Internet services, including overseas Internet services, *Rakuten Rewards*, an online cash back service in the United States, continued steadily grow its revenue. In overseas contents business, electronic book service *Kobo* reported favorable sales for the new colored electronic book reading device, and we saw an increase in the number of users in our video streaming service *Viki*. Due to such steady growth in each business, segment profit, both before and after adjustment, increased.

FinTech

In the FinTech segment, segment revenue for the nine-month period ended September 30, 2024 increased from the nine-month period ended September 30, 2023 by ¥70,794 million, or 13.3%, to

¥604,383 million, while segment profit before adjustment for the nine-month period ended September 30, 2024 increased from the nine-month period ended September 30, 2023 by ¥37,102 million, or 42.1%, to ¥125,323 million. Mobile Ecosystem Contribution for the nine-month period ended September 30, 2024 decreased from the nine-month period ended September 30, 2023 by ¥1,798 million, or 20.4%, to negative ¥10,618 million, and segment profit after adjustment for the nine-month period ended September 30, 2024 increased from the nine-month period ended September 30, 2023 by ¥35,304 million, or 44.5%, to ¥114,705 million. In the FinTech segment, we achieved increased segment revenue and increased segment profit, both before and after adjustment, as compared to the prior year. The cumulative number of *Rakuten Cards* issued (including second cards issued to the same cardholder) surpassed 31 million at the end of June 2024, and as a result, GTV, which is calculated on a management accounting basis, increased and contributed to the sales revenue. In addition, we succeeded in optimizing marketing, which contributed to the continued significant increase in revenue. Against the backdrop of the heightened interest in personal asset formation and asset management, the number of accounts that use *Money Bridge*, which links *Rakuten Bank* and *Rakuten Securities* accounts, surpassed 5.3 million in as of September 30, 2024 and surpassed ¥6 trillion in deposit balance as of the end of October 2024. At *Rakuten Securities*, deposit balance surpassed ¥30 trillion as of the end of May 2024, leading to the further expansion of the customer base at both companies. Despite the impact of a historic stock price crash in August 2024, the diversification of revenue sources at *Rakuten Securities*, among other factors, has led to a recovery to the level of operating income before the domestic stock trading commission was removed. *Rakuten Payment*, which provides online settlement services, also continued to grow its business in part because of the effective marketing measures.

Mobile

In the Mobile segment, segment revenue for the nine-month period ended September 30, 2024 increased from the nine-month period ended September 30, 2023 by ¥35,702 million, or 13.5%, to ¥300,788 million, while segment loss before adjustment for the nine-month period ended September 30, 2024 decreased from the nine-month period ended September 30, 2023 by ¥78,227 million, or 29.4%, to ¥188,070 million. Mobile Ecosystem Contribution for the nine-month period ended September 30, 2024 increased from the nine-month period ended September 30, 2023 by ¥4,301 million, or 27.6%, to ¥19,885 million, and segment loss after adjustment for the nine-month period ended September 30, 2024 decreased from the nine-month period ended September 30, 2023 by ¥82,528 million, or 32.9%, to ¥168,185 million. The total number of *Rakuten Mobile*'s MNO subscribers (including MVNO and MVNE, but excluding BCP subscribers) surpassed 7 million in June 2024 by appealing to potential customers the convenience and advantages of using *Rakuten Mobile*. B2C and B2B ARPU each increased as compared to the first quarter of the fiscal year, leading to a steady increase in telecommunication revenue. New programs such as the SAIKYO Senior Program, the SAIKYO Family Program and the SAIKYO Seishun Program also brought in new customers, and by providing convenient and cost effective services, we are aiming to maximize customer satisfaction. In June 2024, we began offering commercial services using 700 MHz "platinum band" spectrum.

Comparison of the Year Ended December 31, 2023 with the Year Ended December 31, 2022

The following tables show selected statement of operations information for each segment for the years ended December 31, 2022 and 2023. The amounts presented in the tables below are before intercompany eliminations.

	For the year ended December 31, 2022[1]			
	Internet Services	FinTech	Mobile	Total
	(in millions of yen)			
Segment revenue	¥ 1,103,807	¥ 651,944	¥ 350,734	¥ 2,106,485
Segment operating expenses	1,039,177	562,104	829,991	2,431,272
Segment profit (loss)	64,630	89,840	(479,257)	(324,787)

	For the year ended December 31, 2023[1]			
	Internet Services	FinTech	Mobile	Total
	(in millions of yen)			
Segment revenue	¥ 1,212,314	¥ 725,165	¥ 364,556	¥ 2,302,035
Segment operating expenses	1,135,483	602,250	702,080	2,439,813
Segment profit (loss)	76,831	122,915	(337,524)	(137,778)

Note:

(1) Beginning in the three–month period 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. See "Presentation of Financial and Other Information—Note Regarding Comparability of Financial Information—Segment Reorganizations—2023 Segment Reorganizations."

Internet Services

In the Internet Services segment, segment revenue for the year ended December 31, 2023 increased from the year ended December 31, 2022 by ¥108,507 million, or 9.8%, to ¥1,212,314 million, while segment profit for the year ended December 31, 2023 increased from the year ended December 31, 2022 by ¥12,201 million, or 18.9%, to ¥76,831 million. In our domestic e-commerce businesses, the mainstay of Internet services, we are 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 *Rakuten Ichiba*, the various measures and sales promotion activities aimed at improving convenience and satisfaction of customers successfully led to further retention of customers. Moreover, the online travel booking service, *Rakuten Travel*, saw growth in transaction value compared to the year ended December 31, 2022, due to favorable sales promotion measures and other measures in line with the recovery in demand for domestic travel. In addition, the growth in transaction value in domestic e-commerce services led to increased sales in the advertising business, which provides advertising on the various e-commerce sites within the segment. In other Internet services, including overseas Internet services, strong sales growth continued in the U.S. cash back service *Rakuten Rewards.* In addition, in the investment business, the performance of our investments improved compared to the previous 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 year ended December 31, 2022 and contributed to an increase in segment profit.

FinTech

In the FinTech segment, segment revenue for the year ended December 31, 2023 increased from the year ended December 31, 2022 by ¥73,221 million, or 11.2%, to ¥725,165 million, while segment profit for the year ended December 31, 2023 increased from the year ended December 31, 2022 by ¥33,075 million, or 36.8%, to ¥122,915 million. In credit card related services, the cumulative total number of *Rakuten Cards* issued (including second cards issued to the same cardholder) 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 2023, while in securities services, the total number of general securities accounts reached 10 million in December 2023, further expanding the customer base.

Mobile

In the Mobile segment, segment revenue for the year ended December 31, 2023 increased from the year ended December 31, 2022 by ¥13,822 million, or 3.9%, to ¥364,556 million, while segment loss for the year ended December 31, 2023 decreased from the year ended December 31, 2022 by ¥141,733 million, or 29.6%, to ¥337,524 million. In mobile services, the number of subscribers for the mobile carrier service surpassed 5.96 million at the end of December 2023 (excluding BCP subscribers) 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. In addition, beginning in the three-month period ended March 31, 2023, a portion of costs relating to the Super Point Up (SPU) Program previously recorded at *Rakuten Mobile* is now recorded at *Rakuten Ichiba*, such that these costs are now shared, in order to better reflect the benefit received by *Rakuten Ichiba* from this program. As

a result of this change, segment income for our Internet Services segment for the year ended December 31, 2023 decreased, while segment loss for our Mobile segment improved by the same amount. See "Presentation of Financial and Other Information—Note Regarding Comparability of Financial Information—Other Changes in Presentation of Financial Information—Changes in Point Allocation Methodology."

Comparison of the Year Ended December 31, 2022 with the Year Ended December 31, 2021

The following tables show selected statement of operations information for each segment for the years ended December 31, 2021 and 2022. The amounts presented in the tables below are before intercompany eliminations.

	For the year ended December 31, 2021[1]			
	Internet Services	FinTech	Mobile	Total
	(in millions of yen)			
Segment revenue	¥ 1,013,615	¥ 619,048	¥ 213,082	¥ 1,845,744
Segment operating expenses	919,201	529,928	625,317	2,074,445
Segment profit (loss)	94,414	89,120	(412,235)	(228,701)

	For the year ended December 31, 2022[1]			
	Internet Services	FinTech	Mobile	Total
	(in millions of yen)			
Segment revenue	¥ 1,103,807	¥ 651,944	¥ 350,734	¥ 2,106,485
Segment operating expenses	1,039,177	562,104	829,991	2,431,272
Segment profit (loss)	64,630	89,840	(479,257)	(324,787)

Note:

(1) Beginning in the three-month period ended March 31, 2023, we have adopted the provisions of IFRS 17. For details on the adoption, see "Presentation of Financial and Other Information—Note Regarding Comparability of Financial Information—Other Changes in Presentation of Financial Information—Adoption of IFRS 17."

Internet Services

In the Internet Services segment, segment revenue for the year ended December 31, 2022 increased from the prior year by ¥90,192 million, or 8.9%, to ¥1,103,807 million, while segment profit decreased from the prior year by ¥29,784 million, or 31.5%, to ¥64,630 million. Increased revenue was due mainly to an increase in customer retention supported by the growing demand for online shopping in line with the continued expansion of stay-at-home consumption, resulting in a continuous growth in transaction volume, even compared with the prior year when we benefited from the effects of the COVID-19 pandemic, improving our financial performance. In addition, *Rakuten Travel* saw significant growth in transaction volume compared to the previous year due to the success of the Japanese government's measures to support the domestic tourism industry as well as our sales promotion measures in line with the recovery in demand for domestic travel. In other Internet Services including overseas Internet services, revenue grew mainly in the US cash back service *Rakuten Rewards*. However, due to the effect of a ¥27,827 million gain from investments in securities of FinTech-related companies in the prior year, segment profit decreased compared to the prior year.

FinTech

In the FinTech segment, segment revenue for the year ended December 31, 2022 increased from the prior year by ¥32,896 million, or 5.3%, to ¥651,944 million, while segment profit increased from the prior year by ¥720 million, or 0.8%, to ¥89,840 million. This was due mainly to the increased number of *Rakuten Card* members, with the number of issued cards exceeding 28 million in December 2022 (including second cards issued to the same cardholder), and a recovery in offline shopping as well as an increase in transaction volume in online shopping with continued demand growth for stay-at-home consumption. At *Rakuten Bank*, the number of new bank accounts continued to rise, with the total number of accounts reaching 13 million accounts in September 2022. At *Rakuten Securities*, we achieved a record result in domestic stock transaction volume and a further increase in customer retention.

Mobile

In the Mobile segment, segment revenue for the year ended December 31, 2022 increased from the prior year by ¥137,652 million, or 64.6%, to ¥350,734 million, while segment loss in the Mobile segment increased

from the prior year by ¥67,022 million, or 16.3%, to ¥479,257 million. Increased revenue was due mainly to an increase in the number of users of *Rakuten Mobile*'s MNO network paying telecommunication charges following the expiration of our sales promotion campaign that provided mobile telecommunications free of charge for one year. However, segment loss grew compared to the prior year as a result of continued investments in our MNO network, primarily for the installation of physical base stations, although, on a quarterly basis, segment loss was greatest during the first three months of the year and was on a decreasing trend in subsequent quarters.

Reconciliation of Segment Revenue to Consolidated Revenue for the Years Ended December 31, 2021, 2022 and 2023 and the Nine-Month Periods Ended September 30, 2023 and 2024

The reconciliation of segment revenue to consolidated revenue for the years ended December 31, 2021, 2022 and 2023 and for the nine-month periods ended September 30, 2023 and 2024 is as follows:

	For the year ended December 31,[1]			For the nine-month period ended September 30,[1]	
	2021	2022	2023	2023	2024
			(in millions of yen)		
Segment revenue	¥ 1,845,744	¥ 2,106,485	¥ 2,302,035	¥ 1,665,691	¥ 1,809,340
Intercompany transactions, etc.	(163,987)	(185,591)	(230,720)	(174,452)	(191,719)
Consolidated revenue	¥ 1,681,757	¥ 1,920,894	¥ 2,071,315	¥ 1,491,239	¥ 1,617,621

Note:

(1) Beginning in the three-month period ended March 31, 2023, we have adopted the provisions of IFRS 17. For details on the adoption, see "Presentation of Financial and Other Information—Note Regarding Comparability of Financial Information—Other Changes in Presentation of Financial Information—Adoption of IFRS 17."

Financial Information for Certain of our Businesses

We monitor for management purposes the financial information of our Internet Services, FinTech and Mobile segments as well as certain of our businesses, which are part of such segments, due to their distinct business models. This information is prepared for management accounting purposes and does not represent the results of reporting segments on our consolidated financial statements.

The following table shows revenue (prepared on a management accounting basis and before eliminations of intercompany transactions) for certain of our businesses within our Internet Services and FinTech segments for the years ended December 31, 2021, 2022 and 2023 and for the nine-month periods ended September 30, 2023 and 2024.

	For the year ended December 31,[1]			For the nine-month period ended September 30,[1]	
	2021	2022	2023	2023	2024
			(in millions of yen)		
Revenue:					
Domestic E-commerce	¥ 709,108	¥ 799,217	¥ 885,567	¥ 646,568	¥ 659,728
Other Internet Services	304,507	304,590	326,747	220,448	244,442
Rakuten Card	279,929	295,634	317,024	232,111	248,303
Rakuten Bank	102,641	112,235	127,659	93,672	116,601
Rakuten Securities	89,963	95,837	111,335	84,708	98,023
Rakuten Payment	37,479	55,284	75,047	53,948	65,720
Rakuten Life Insurance	41,999	35,736	38,803	29,319	29,868
Rakuten General Insurance	53,115	47,018	40,235	29,881	29,293

Note:

(1) Beginning in the three-month period ended March 31, 2023, we have adopted the provisions of IFRS 17. For details on the adoption, see "Presentation of Financial and Other Information—Note Regarding Comparability of Financial Information—Other Changes in Presentation of Financial Information—Adoption of IFRS 17."

Adjusted/Non-GAAP Financial Measures

We use financial measures to which certain adjustments have been applied, which are non-GAAP financial measures and not measures prescribed by IFRS, in addition to segment profit, in evaluating our operating results and for financial and operational decision-making purposes, including non-GAAP operating income and Adjusted EBITDA, and standalone Adjusted total debt and Adjusted net debt.

We believe that non-GAAP operating income, Adjusted EBITDA and non-GAAP segment operating income provide useful information about our financial performance by excluding certain expenses, gains and losses that may not be indicative of our core ongoing operating results and business outlook. We believe that standalone Adjusted total debt and Adjusted net debt provide useful information about our levels of indebtedness, in a manner that is commonly used by investors and analysts examining us and similarly positioned issuers, by adjusting our standalone (i.e., without including the indebtedness of our consolidated subsidiaries) total debt to give effect to "equity credits" assigned to our subordinated debt instruments, certain of which is classified as indebtedness and certain of which is classified as equity under IFRS. We believe that our adjusted/non-GAAP financial measures enhance the overall understanding of our past performance and future prospects, and these measures are the key metrics used by our management in its financial and operational decision-making. Adjusted/non-GAAP financial measures provide greater visibility to the underlying performance of our business operations and facilitate comparison of our results with other periods. Such financial measures may also facilitate more meaningful comparisons between our operating results and those of other companies.

Our adjusted financial measures should not be considered in isolation or construed as an alternative to net income, operating income, cash flows from operating activities or any other measure of performance presented in accordance with IFRS. Non-GAAP operating income, Adjusted EBITDA and non-GAAP segment operating income, standalone Adjusted total debt and Adjusted net debt presented here may not be comparable to similarly-titled measures presented by other companies. Other companies may calculate similarly-titled measures differently, limiting their usefulness as comparative measures to our data.

We calculate non-GAAP operating income and non-GAAP operating income of our segments by adding income tax expense (benefit), share of income (loss) of associates and joint ventures, financial expenses and financial income to our consolidated net income (loss) (which is then separated into segment profit (loss) of the relevant segment, for the purpose of calculating segment non-GAAP operating income), based on IFRS, and then adding the following items:

- *Amortization of intangible assets*. We incur amortization expenses for intangible assets recognized in connection with acquisitions through purchase price allocation. We exclude these expenses because they are non-cash expenses that management does not believe correlate to our ongoing operating results.

- *Stock-based compensation expense*. This expense consists of expenses for stock options granted to management and employees. Due to the varying available valuation methodologies, subjective assumptions and the variety of award types that can be used to calculate stock-based compensation expense, we believe that non-GAAP financial measures that exclude this expense are useful indicators of underlying performance of our business operations and facilitate comparison of our results with other periods, as well as the results of other companies in our industry.

- *Other items*. Other items include gains, losses or expenses during a period that are the result of isolated events or transactions which have not occurred within the past two years and are not expected to recur in the subsequent two years. Other items also include business restructuring related items, such as gains on sales of subsidiaries or gains on acquisitions. Regarding asset impairment, individual impairment losses exceeding a certain threshold amount, and meeting the foregoing standard with respect to their non-recurring nature, are included in other items. Other items also include impairment of goodwill exceeding a certain threshold amount that is incurred in connection with a change in strategy of the underlying business. We exclude these amounts primarily because management does not believe they are indicative of our ongoing operating results.

We calculate non-GAAP operating income for our segments based on operating income for such segments before elimination of intragroup transactions prepared in accordance with IFRS. Our segment operating income is prepared on a management accounting basis and is not prepared based on the financial accounting information we use to prepare our consolidated financial statements in accordance with IFRS.

We present our segment profit or loss based on non-GAAP operating income calculated as described above rather than operating income calculated in accordance with IFRS, as this is the financial measure used by our management to make decisions from operating income based on IFRS to non-GAAP operating income.

We calculate Adjusted EBITDA by adding income tax expense (benefit), share of income (loss) of associates and joint ventures, financial expenses and financial income to consolidated net income (loss) (which is

then separated into segment profit (loss) for the purpose of calculating segment Adjusted EBITDA), based on IFRS, and then adding the following items:

- *Depreciation and amortization*. We incur depreciation and amortization expenses for certain assets, including property, plant and equipment and intangible assets. We exclude these expenses because they are non-cash items that management believes do not correlate to our ongoing operating results.

- *Stock-based compensation*. Stock-based compensation consists of expenses for stock options granted to management and employees. Due to the varying available valuation methodologies, subjective assumptions and the variety of award types that can be used to calculate stock-based compensation expense, we believe that non-GAAP financial measures that exclude this expense are useful indicators of underlying performance of our business operations and facilitate comparison of our results with other periods, as well as the results of other companies in our industry.

- *Other items*. Other items include gains, losses or expenses during a period that are the result of isolated events or transactions which have not occurred within the past two years and are not expected to recur in the subsequent two years. Other items also include business restructuring related items, such as gains on sales of subsidiaries or gains on acquisitions. Regarding asset impairment, individual impairment losses exceeding a certain threshold amount, and meeting the foregoing standard with respect to their non-recurring nature, are included in other items. Other items also include impairment of goodwill exceeding a certain threshold amount that is incurred in connection with a change in strategy of the underlying business. We exclude these amounts primarily because management does not believe they are indicative of our ongoing operating results.

- *Adjustments*. Adjustments includes other items such as gains, losses or expenses during a period that are the result of isolated events or transactions which have not occurred within the past two years and are not expected to recur in the subsequent two years. We exclude these amounts primarily because management does not believe they are indicative of our ongoing operating results. Adjustments also includes loss on sale of fixed assets and impairment loss on fixed assets that are not included in "Other items" as well as adjustment amounts with respect to depreciation and amortization due to differences in financial and management accounting.

We calculate standalone Adjusted total debt beginning with bonds and borrowings from outside of our group companies (on a management accounting basis), and accounting for the following items:

- *2021 Subordinated Notes*. On April 22, 2021, $750,000,000 aggregate principal amount of 5.125% Undated Subordinated NC5 Fixed Rate Reset Notes (which are callable on April 22, 2026 or any interest payment date thereafter), €1,000,000,000 aggregate principal amount of 4.250% Undated Subordinated NC6 Fixed Rate Reset Notes (which are callable on April 22, 2027 or any interest payment date thereafter) and $1,000,000,000 aggregate principal amount of 6.250% Undated Subordinated NC10 Fixed Rate Reset Notes (which are callable on April 22, 2031 or any interest payment date thereafter), or collectively, the 2021 Subordinated Notes, were issued. The 2021 Subordinated Notes are classified as equity instruments under IFRS, although they are legally structured as notes, due to the fact that they are offered with no fixed maturity and are thus redeemable at our discretion on the relevant First Reset Date or any interest payment date thereafter, and that interest payments are deferrable also at our discretion without involving payment obligations. Under the respective ratings methodologies of R&I and JCR, the 2021 Subordinated Notes are eligible for a 50% equity credit. Under the ratings methodology of S&P, the 2021 Subordinated Notes and the 2020 Domestic Subordinated Bonds listed below are eligible for a smaller equity credit. We add 50% of the amount of the 2021 Subordinated Notes (representing the portion not eligible for the equity credit from R&I and JCR) to the amount of Adjusted total debt because we believe that investors, analysts and ratings agencies treat this amount as indebtedness when considering our indebtedness and leverage.

- *2020 Domestic Subordinated Bonds.* The 4th, 5th and 6th subordinated bonds listed in the table in "—Financial Condition and Liquidity—Liquidity and Liquidity Management—Bonds and Borrowings of Rakuten Group, Inc.—Bonds Issued by Rakuten Group, Inc.," or collectively, the 2020 Domestic Subordinated Bonds, are classified as bonds and borrowings under IFRS, but are eligible for a 50% equity credit under the respective ratings methodologies of R&I and JCR. We subtract 50% of the value of these instruments from Adjusted total debt, thereby applying this equity credit, because we believe that investors, analysts and ratings agencies apply such a credit to them when considering our indebtedness and leverage.

- *2018 Domestic Subordinated Bonds.* The 1st, 2nd and 3rd subordinated bonds listed in the table in "—Financial Condition and Liquidity—Liquidity and Liquidity Management—Bonds and Borrowings of Rakuten Group, Inc.—Bonds Issued by Rakuten Group, Inc.," or collectively, the 2018 Domestic Subordinated Bonds, are classified as bonds and borrowings under IFRS, but eligible for a 50% equity credit under the respective ratings methodologies of R&I and JCR. We subtract 50% of the value of these instruments from Adjusted total debt, thereby applying this equity credit because we believe that investors, analysts and ratings agencies apply such a credit to them when considering our indebtedness and leverage.

We calculate standalone Adjusted net debt by subtracting standalone cash and cash equivalents from standalone Adjusted total debt calculated as described above.

Non-GAAP Operating Income

The table below sets forth a reconciliation of our net income (loss) to non-GAAP operating income (loss) for the years ended December 31, 2019, 2020, 2021, 2022 and 2023 and for the nine-month periods ended September 30, 2023 and 2024. The amounts in the table are prepared on a management accounting basis.

	For the year ended December 31,					For the nine-month period ended September 30,	
	2019	2020	2021	2022	2023	2023	2024
	(in millions of yen)						
Reconciliation of non-GAAP operating income (loss)							
Operating income (loss)	72,745	(93,849)	(194,726)	(371,612)	(212,857)	(179,578)	(51,066)
Add: Amortization of acquisition-related intangible assets	8,764	9,502	9,321	8,657	13,564	6,509	5,462
Add: Stock-based compensation expense	10,137	10,612	10,058	12,587	14,318	10,993	11,745
Add: Other items[(1)]	3,483	(28,933)	(49,653)	15,176	31,934	12,617	8,928
Non-GAAP operating income (loss)	¥ 95,129	¥ (102,667)	¥ (224,999)	¥ (335,192)	¥ (153,041)	¥(149,459)	¥ (24,931)

Note:

(1) Other items for the year ended December 31, 2019 are composed of impairment loss on fixed assets in the United States of ¥3,483 million. Other items for the year ended December 31, 2020 are composed of a gain on sales of all shares in OverDrive Holdings, Inc. of ¥40,926 million, losses on investments in the filmmaking business of ¥3,277 million and ¥8,716 million consisting primarily of impairment of fixed assets due mainly to the closure of a U.S. based business. Other items for the year ended December 31, 2021 are composed mainly of a gain of ¥59,496 million related to the step acquisition of Altiostar and expenses of ¥8,789 million accompanying the increase in point allowance related to changes in *Rakuten Point* rules. Other items for the year ended December 31, 2022 are composed of expenses associated with an increase in provision for customer points as a result of changes in the *Rakuten Point* Terms of Use and estimated expenses incurred from fraudulent acts committed in collusion by a former employee of *Rakuten Mobile* and certain former business partners, which are included as other expenses in the Consolidated Statement of Income. Other items for the year ended December 31, 2023 are composed of 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 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. Other items for the nine-month period ended September 30, 2023 are composed of costs temporarily incurred due to the cancellation of base station construction of ¥10,222 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. Other items for the nine-month period ended September 30, 2024 are composed of incurred expenses including base station maintenance and repair fees of ¥1,154 million relating to the 2024 Noto Peninsula Earthquake, losses of ¥1,793 million relating to the removal of a part of the combined core system for life and general insurance, revenue of ¥1,616 million from the sale of Min-shu, Inc., a write-down loss due to a review of contracts with certain agents and a revaluation of transactions recognized as assets from costs for contract acquisitions in the mobile business of ¥5,413 million and fees incurred in connection with the settlement of a lawsuit against International Business Machines Corporation.

In addition to the reconciliation table of our net income (loss) to non-GAAP operating income (loss) above, the table below sets forth segment profit (loss) for each of our segments for the years ended December 31, 2019, 2020, 2021, 2022 and 2023, and for the nine-month periods ended September 30, 2023 and 2024 (after considering Mobile Ecosystem Contribution). The amounts in the tables are prepared on a management accounting basis.

	For the year ended December 31,					For the nine-month period ended September 30,	
	2019	2020	2021	2022	2023	2023	2024
	(in millions of yen)						
Segment profit (loss)[1]:							
Internet Services segment	¥ 104,579	¥ 22,904	¥ 94,414	¥ 64,630	¥ 76,831	¥ 36,187	¥ 47,408
FinTech segment	69,306	81,291	89,120	89,840	122,915	79,401	114,705
Mobile segment	(73,898)	(213,244)	(412,235)	(479,257)	(337,524)	(250,713)	(168,185)
Total	99,987	(109,048)	(228,701)	(324,787)	(137,778)	(135,125)	(6,072)
Adjustments[2]	(4,858)	6,381	3,702	(10,405)	(15,263)	(14,334)	(18,859)
Non-GAAP operating income (loss)	¥ 95,129	¥ (102,667)	¥ (224,999)	¥ (335,192)	¥ (153,041)	¥ (149,459)	¥ (24,931)

Notes:

(1) The segment information presented herein reflects various adjustments and changes, including segment reorganizations, changes in measurement methods of segment revenue and segment profit (loss), changes in point allocation methodologies, and the adoption of IFRS 17. For explanations of these adjustments and changes and their effect on the segment information, see "Presentation of Financial and Other Information—Note Regarding Comparability of Financial Information."

(2) Adjustments mainly include elimination of intercompany transactions and management fees.

Adjusted EBITDA

The table below sets forth a reconciliation of Adjusted EBITDA to net income (loss) for the years ended December 31, 2019, 2020, 2021, 2022 and 2023 and for the nine-month periods ended September 30, 2023 and 2024. The amounts in the table are prepared on a management accounting basis.

	For the year ended December 31,					For the nine-month period ended September 30,	
	2019	2020	2021	2022	2023	2023	2024
	(in millions of yen)						
Reconciliation of Adjusted EBITDA:[1]							
Net income (loss)	¥ (33,068)	¥ (115,838)	¥ (135,826)	¥ (380,244)	¥ (329,535)	¥ (202,388)	¥ (127,141)
Income tax expense (benefit)	(11,490)	(35,178)	(76,804)	(35,368)	111,794	21,944	29,057
Share of income (loss) of associates and joint ventures	(111,918)	(37,710)	1,834	(2,548)	(13,731)	(11,023)	(6,975)
Financial expenses	9,027	79,607	38,642	156,884	64,570	57,814	80,936
Financial income	3,642	60,150	18,904	115,432	73,417	67,971	40,893
Add: Depreciation and amortization	106,370	151,506	197,353	259,907	299,771	223,195	236,516
Add: Stock-based compensation expense	10,137	10,612	10,058	12,587	14,318	10,993	11,745
Add: Other items[2]	3,483	(28,933)	(49,653)	15,176	31,934	12,617	8,928
Add: Adjustments[3]	4,001	7,850	5,573	14,024	15,012	5,492	5,618
Adjusted EBITDA	¥ 196,736	¥ 47,186	¥ (31,395)	¥ (69,918)	¥ 148,178	¥ 72,718	¥ 211,741

Notes:

(1) The financial information presented herein reflects various adjustments and changes, including segment reorganizations, changes in measurement methods of segment revenue and segment profit (loss), changes in point allocation methodologies, and the adoption of IFRS 17. For explanations of these adjustments and changes and their effect on the segment information, see "Presentation of Financial and Other Information—Note Regarding Comparability of Financial Information."

(2) Other items for the year ended December 31, 2019 are composed of impairment loss on fixed assets in the United States of ¥3,483 million. Other items for the year ended December 31, 2020 are composed of a gain on sales of all shares in OverDrive Holdings, Inc. of ¥40,926 million, losses on investments in the filmmaking business of ¥3,277 million and ¥8,716 million consisting primarily of impairment of fixed assets due mainly to the closure of a U.S. based business. Other items for the year ended December 31, 2021 are composed mainly of a gain of ¥59,496 million related to the step acquisition of Altiostar and expenses of ¥8,789 million accompanying the increase in point allowance related to changes in *Rakuten Point* rules. Other items for the year ended December 31, 2022 are composed of expenses associated with an increase in provision for customer points as a result of changes in the *Rakuten Point* Terms of Use and estimated expenses incurred from fraudulent acts committed in collusion by a former employee of *Rakuten Mobile* and certain former business partners, which are included as other expenses in the Consolidated Statement of Income. Other items for the 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.

(3) Adjustments consists of certain other amounts, including loss on sale of fixed assets and impairment loss on fixed assets that are not included in "Other items" as well as adjustment amounts with respect to depreciation and amortization due to differences in financial and management accounting.

The table below sets forth a reconciliation of Adjusted EBITDA for each of our segments to segment profit (loss) for the years ended December 31, 2019, 2020, 2021, 2022 and 2023, and for the nine-month periods ended September 30, 2023 and 2024 (after considering Mobile Ecosystem Contribution). The amounts in the table are prepared on a management accounting basis.

	For the year ended December 31,					For the nine-month period ended September 30,	
	2019	2020	2021	2022	2023	2023	2024
	(in millions of yen)						
Reconciliation of Adjusted EBITDA for Internet Services segment (loss)[1]:							
Segment profit (loss)	¥ 104,579	¥ 22,904	¥ 94,414	¥ 64,630	¥ 76,831	¥ 36,187	¥ 47,408
Add: Adjustments[2]	29,243	39,866	34,319	34,832	39,346	28,207	28,980
Adjusted EBITDA for Internet Services segment	¥ 133,822	¥ 62,770	¥ 128,733	¥ 99,462	¥ 116,177	¥ 64,394	¥ 76,388

Notes:
(1) The segment information presented herein reflects various adjustments and changes, including segment reorganizations, changes in measurement methods of segment revenue and segment profit (loss), and changes in point allocation methodologies. For explanations of these adjustments and changes and their effect on the segment information, see "Presentation of Financial and Other Information—Note Regarding Comparability of Financial Information."
(2) Adjustments consists of certain adjustment amounts, including amounts related to depreciation and amortization, impairment loss on fixed assets and loss on sales of fixed assets minus amortization of acquisition-related intangible assets.

	For the year ended December 31,					For the nine-month period ended September 30,	
	2019	2020	2021	2022	2023	2023	2024
	(in millions of yen)						
Reconciliation of Adjusted EBITDA for FinTech segment:[1]							
Segment profit (loss)	¥ 69,306	¥ 81,291	¥ 89,120	¥ 89,840	¥ 122,915	¥ 79,401	¥ 114,705
Add: Adjustments[2]	32,909	42,649	47,931	53,689	58,055	43,162	46,789
Adjusted EBITDA for FinTech segment	¥ 102,215	¥ 123,940	¥ 137,051	¥ 143,529	¥ 180,970	¥ 122,563	¥ 161,494

Notes:
(1) The segment information presented herein reflects various adjustments and changes, including changes in measurement methods of segment revenue and segment profit (loss) and the adoption of IFRS 17. For explanations of these adjustments and changes and their effect on the segment information, see "Presentation of Financial and Other Information—Note Regarding Comparability of Financial Information."
(2) Adjustments consists of certain adjustment amounts, including amounts related to depreciation and amortization, impairment loss on fixed assets and loss on sales of fixed assets minus amortization of acquisition-related intangible assets.

	For the year ended December 31,					For the nine-month period ended September 30,	
	2019	2020	2021	2022	2023	2023	2024
	(in millions of yen)						
Reconciliation of Adjusted EBITDA for Mobile segment:[1]							
Segment profit (loss)	¥ (73,898)	¥ (213,244)	¥ (412,235)	¥ (479,257)	¥ (337,524)	¥ (250,713)	¥ (168,185)
Add: Adjustments[2]	18,929	44,247	82,621	140,271	158,453	117,320	127,708
Adjusted EBITDA for Mobile segment	¥ (54,969)	¥ (168,997)	¥ (329,614)	¥ (338,986)	¥ (179,071)	¥ (133,393)	¥ (40,477)

Notes:
(1) The segment information presented herein reflects various adjustments and changes, including segment reorganizations, changes in measurement methods of segment revenue and segment profit (loss), and changes in point allocation methodologies. For explanations of these adjustments and changes and their effect on the segment information, see "Presentation of Financial and Other Information—Note Regarding Comparability of Financial Information."
(2) Adjustments consists of certain adjustment amounts, including amounts related to depreciation and amortization, impairment loss on fixed assets and loss on sales of fixed assets minus amortization of acquisition-related intangible assets.

Standalone Adjusted Total Debt and Adjusted Net Debt

The tables below set forth reconciliation of our standalone bonds and borrowings to Adjusted total debt and Adjusted net debt as of September 30, 2024. The amounts in the table are prepared on a management accounting basis.

	As of September 30, 2024
	(in millions of yen)
Reconciliation of Adjusted total debt and Adjusted net debt[1]:	
Bonds and borrowings	¥ 1,815,748
Total debt	1,815,748
Adjustment item[2]	80,980
Adjusted total debt	1,896,728
Cash and cash equivalents[3]	679,888
Adjusted net debt	¥ 1,216,840

Notes:

(1) Debt herein includes borrowings from outside of our group companies as well as borrowings within our group companies. The amount of such intragroup borrowings was ¥28,080 million as of September 30, 2024.

(2) The adjustment consists of (i) subtraction of ¥79,500 million representing the sum of the 50% equity credit assigned by JCR and R&I to the 2020 Domestic Subordinated Bonds and the 50% equity credit assigned by JCR and R&I to the 2018 Domestic Subordinated Bonds and (ii) addition of ¥160,480 million representing the 50% equity credit assigned by JCR and R&I to the 2021 Subordinated Notes. The 2021 Subordinated Notes are classified as equity instruments under IFRS.

(3) Cash and cash equivalents include deposits held at *Rakuten Bank*.

Financial Condition and Liquidity

Total assets as of September 30, 2024 increased to ¥24,879,684 million from ¥22,625,576 million as of December 31, 2023. This was due mainly to an increase of ¥759,201 million in cash and cash equivalents, an increase of ¥750,170 million in financial assets for securities business, an increase of ¥549,031 million in investment securities for banking business and an increase of ¥414,286 million in loans for banking business.

Total assets as of December 31, 2023 increased to ¥22,625,576 million from ¥20,402,281 million as of December 31, 2022. This was due mainly to 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.

Total assets as of December 31, 2022 increased to ¥20,402,281 million from ¥16,831,221 million as of December 31, 2021. This was due mainly to an increase of ¥978,764 million in loans for banking business, an increase of ¥547,881 million in other financial assets, and an increase of ¥457,547 million in investment securities for banking business.

Total liabilities as of September 30, 2024 increased to ¥23,909,080 million from ¥21,537,853 million as of December 31, 2023. This was due mainly to an increase of ¥905,920 million in financial liabilities for securities business, an increase of ¥837,917 million in deposits for banking business, and an increase of ¥512,396 million in bonds and borrowings.

Total liabilities as of December 31, 2023 increased to ¥21,537,853 million from ¥19,553,570 million as of December 31, 2022. This was due mainly to 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.

Total liabilities as of December 31, 2022 increased to ¥19,553,570 million from ¥15,713,931 million as of December 31, 2021. This was due mainly to an increase of ¥1,570,727 million in deposits for banking business, an increase of ¥1,075,389 million in borrowings for banking business, and an increase of ¥461,471 million in financial liabilities for securities business.

Financial Condition and Liquidity of Our FinTech Businesses

Credit Card Business

Loans

The following table sets forth the composition of loans for our *Rakuten Card* business:

	As of December 31,			As of September 30,
	2021	2022	2023	2024
	(in millions of yen)			
Breakdown of Loans for Credit Card Business:				
Gross amount of loans for credit card business	¥ 2,475,494	¥ 2,858,766	¥ 3,095,570	¥ 3,166,290
Allowance for doubtful accounts	(87,046)	(82,722)	(76,309)	(76,297)
Net amount of loans for credit card business	¥ 2,388,448	¥ 2,776,044	¥ 3,019,261	¥ 3,089,993

Sources of Funding

Funding sources for *Rakuten Card* include securitization of receivables, with *Rakuten Bank* as the investor, for both shopping and revolving balances generated from *Rakuten Card* holders, as well as issuances of corporate bonds. Additional funding is obtained from short-term and long-term borrowings from financial institutions.

Rakuten Bank

Investment Securities

The following table sets forth the composition of investment securities for our *Rakuten Bank* business:

	As of December 31,		
	2021	2022	2023
	(in millions of yen)		
Breakdown of Investment Securities for Banking Business:			
Financial assets measured at amortized cost:			
Domestic bonds	¥ 99,250	¥ 522,512	¥ 690,835
Foreign bonds	4,308	—	2,768
Others	2,086	49,261	24,123
Gross amount of financial assets measured at amortized cost	105,644	571,773	717,726
Allowance for doubtful accounts	—	—	(2)
Net amount of financial assets measured at amortized cost	105,644	571,773	717,724
Financial assets measured at fair value through profit or loss:			
Trust beneficiary rights	984	907	813
Foreign bonds	—	—	—
Others	34	33	2,887
Total financial assets measured at fair value through profit or loss	1,018	940	3,700
Debt instruments measured at fair value through other comprehensive income:			
Trust beneficiary rights	158,544	165,968	243,785
Domestic bonds	168,568	143,200	151,863
Foreign bonds	16,076	34,769	91,454
Other	9,253	—	—
Total debt instruments measured at fair value through other comprehensive income	352,441	343,937	487,102
Equity instruments measured at fair value through other comprehensive income	1	1	1
Total investment securities for banking business	¥ 459,104	¥ 916,651	¥ 1,208,527

Loans

The following table sets forth the composition of loans for our *Rakuten Bank* business. Guarantees comprise the majority of the security for loans in our banking business:

	As of December 31,		
	2021	2022	2023
	(in millions of yen)		
Breakdown of Loans for Banking Business:			
Gross amount of loans for banking business	¥ 2,539,055	¥ 3,516,297	¥ 3,893,908
Allowance for doubtful accounts	(10,260)	(8,738)	(7,020)
Net amount of loans for banking business	¥ 2,528,795	¥ 3,507,559	¥ 3,886,888

Deposits

The primary source of funding for *Rakuten Bank* is from a large balance of deposits. *Rakuten Bank*'s deposits are from retail customers and primarily denominated in Japanese yen. The following table sets forth the composition of deposits for our *Rakuten Bank* business:

	As of December 31,		
	2021	2022	2023
	(in millions of yen)		
Breakdown of Deposits for Banking Business:			
Financial liabilities measured at amortized cost:			
Demand deposits	¥ 6,401,269	¥ 7,748,834	¥ 8,811,693
Time deposits	447,101	670,263	921,135
Total financial liabilities measured at amortized cost	6,848,370	8,419,097	9,732,828
Financial liabilities measured at fair value through profit or loss:			
Time deposits	—	—	—
Total deposits for banking business	¥ 6,848,370	¥ 8,419,097	¥ 9,732,828

Rakuten Securities

Financial Assets

The following table sets forth the composition of financial assets for our *Rakuten Securities* business:

	As of December 31,		
	2021	2022	2023
	(in millions of yen)		
Breakdown of Financial Assets for Securities Business:			
Financial assets measured at amortized cost:			
Cash segregated as deposits	¥ 1,746,063	¥ 2,003,545	¥ 2,213,642
Accounts receivable relating to investment securities transactions	510,056	548,101	890,532
Margin transactions assets	665,308	701,632	832,833
Short-term guarantee deposits	132,972	136,787	136,067
Others	35,162	41,057	55,993
Gross amount of financial assets measured at amortized cost	3,089,561	3,431,122	4,129,067
Allowance for doubtful accounts	(1,807)	(1,756)	(1,646)
Net amount of financial assets measured at amortized cost	3,087,754	3,429,366	4,127,421
Financial assets measured at fair value through profit or loss	790	1,410	824
Total financial assets for securities business	¥ 3,088,544	¥ 3,430,776	¥ 4,128,245

Investment securities held for trading purposes are included in financial assets measured at fair value through profit or loss.

Financial Liabilities

The following table sets forth the composition of financial liabilities for our *Rakuten Securities* business:

	As of December 31,		
	2021	2022	2023
	(in millions of yen)		
Breakdown of Financial Liabilities for Securities Business:			
Accounts payable relating to securities transactions	¥ 507,153	¥ 545,030	¥ 890,740
Margin transactions liabilities	132,378	156,342	171,663
Deposits received	1,361,096	1,476,564	1,792,997
Borrowings secured by securities	509,198	726,762	733,884
Guarantee deposits received	522,598	588,725	646,261
Others	573	1,044	972
Total financial liabilities for securities business	¥ 3,032,996	¥ 3,494,467	¥ 4,236,517

Insurance Business

Investment Securities

The following table sets forth the composition of investment securities for our insurance business:

	As of December 31,		
	2021	2022	2023
	(in millions of yen)		
Breakdown of Investment Securities for Insurance Business:			
Financial assets measured at amortized cost:			
Trust beneficiary rights	¥ —	¥ —	¥ —
Domestic bonds	—	—	—
Total financial assets measured at amortized cost	—	—	—
Financial assets measured at fair value through profit or loss:			
Domestic bonds	1,313	1,194	1,197
Beneficiary investment trust securities:			
Unlisted	104	861	1,845
Others	2,314	2,396	2,097
Total financial assets measured at fair value through profit or loss	3,731	4,451	5,139
Debt instruments measured at fair value through other comprehensive income:			
Trust beneficiary rights	4,975	4,089	3,534
Domestic bonds	69,046	57,245	47,751
Foreign bonds	33,501	38,807	39,219
Total debt instruments measured at fair value through other comprehensive income(1)	107,522	100,141	90,504
Equity instruments measured at fair value through other comprehensive income:			
Domestic bonds	11,151	10,584	10,422
Foreign bonds	2,956	20,556	25,902
Stock:			
Listed	21,538	23,970	23,460
Unlisted	4,580	3,720	3,610
Beneficiary investment trust securities:			
Listed	138,977	106,445	100,102
Others	0	0	0
Total equity instruments measured at fair value through other comprehensive income	179,202	165,275	163,496
Total investment securities for insurance business	¥ 290,455	¥ 269,867	¥ 259,139

Note:
(1) Loss allowance on debt instruments measured at fair value through comprehensive income amounted to ¥39 million for the year ended December 31, 2021, ¥44 million for the year ended December 31, 2022 and ¥99 million for the year ended December 31, 2023 and is included in other comprehensive income for such periods.

Investment securities for insurance business are measured at amortized cost because they are defined as financial assets held as part of Rakuten group's business model with the objective of collecting contractual cash flows, and such cash flows are limited solely to repayments of principal including interest on the principal balance outstanding.

Credit Risk

The following tables show our exposure to credit risks associated with financial instruments as of December 31, 2022 and 2023:

	As of December 31, 2023				
	Classification by creditworthiness				
	Financial assets past due but not impaired	Financial assets impaired	Total	Allowance for doubtful accounts	Maximum credit risk exposure (gross)
	(in millions of yen)				
Items recognized in the Consolidated Statement of Financial Position:					
Accounts receivable—trade[1]	¥ 374,780	¥ 12,525	¥387,305	¥ (9,313)	¥377,992
Other financial assets[1]	203,626	3,747	207,373	(5,158)	202,215
Total of items recognized in the Consolidated Statement of Financial Position:	¥ 578,406	¥ 16,272	¥594,678	¥ (14,471)	¥580,207

Note:
(1) Applies only to financial instruments whose allowance for doubtful accounts are always measured at amounts equal to lifetime expected credit loss and there are no categories that depend on whether a significant increase in credit risk since initial recognition has taken place, as they do not contain a significant financing component.

	As of December 31, 2023					
	Classification by creditworthiness					
	12-months expected credit losses	Financial assets whose credit risk has significantly increased since initial recognition	Financial assets impaired	Total	Allowance for doubtful accounts[1]	Maximum credit risk exposure (gross)
	(in millions of yen)					
Items recognized in the Consolidated Statement of Financial Position:						
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 items recognized in the Consolidated Statement of Financial Position:	18,383,762	17,604	135,161	18,536,527	(84,988)	18,451,539
Items not recognized in the Consolidated Statement of Financial Position:						
Commitment lines	—	—	—	—	—	5,581,062
Financial guarantee agreements	—	—	—	—	—	10,876
Total of items not recognized in the Consolidated Statement of Financial Position:	—	—	—	—	—	5,591,938
Total	¥18,383,762	¥ 17,604	¥135,161	¥18,536,527	¥ (84,988)	¥24,043,477

Notes:
(1) Allowance for doubtful accounts of debt instruments measured at fair value through other comprehensive income is not included.

(2) With regard to credit-impaired financial assets, the allowance for doubtful accounts has been reduced by ¥3,327 million in the year ended December 31, 2023 as a result of collateral and other credit enhancements.

(3) Regarding financial assets where terms and conditions are modified when customers or clients request modification of payment due dates, our group companies 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 year ended December 31, 2023, 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.

	As of December 31, 2022				
	Classification by creditworthiness				
	Financial assets past due but not impaired	Financial assets impaired	Total	Allowance for doubtful accounts	Maximum credit risk exposure (gross)
	(in millions of yen)				
Items recognized in the Consolidated Statement of Financial Position:					
Accounts receivable—trade[1]	¥ 358,236	¥ 14,570	¥ 372,806	¥ (8,620)	¥ 364,186
Other financial assets[1]	256,733	8,183	264,916	(5,162)	259,754
Total of items recognized in the Consolidated Statement of Financial Position:	¥ 614,969	¥ 22,753	¥ 637,722	¥ (13,782)	¥ 623,940

Note:

(1) Applies only to financial instruments whose allowance for doubtful accounts are always measured at amounts equal to lifetime expected credit loss and there are no categories that depend on whether a significant increase in credit risk since initial recognition has taken place, as they do not contain a significant financing component.

	As of December 31, 2022					
	Classification by creditworthiness					
	12-months expected credit losses	Financial assets whose credit risk has significantly increased since initial recognition	Financial assets impaired	Total	Allowance for doubtful accounts[1]	Maximum credit risk exposure (gross)
	(in millions of yen)					
Items recognized in the Consolidated Statement of Financial Position:						
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 items recognized in the Consolidated Statement of Financial Position:	16,251,627	15,977	125,876	16,393,480	(93,252)	16,300,228
Items not recognized in the Consolidated Statement of Financial Position:						
Commitment lines	—	—	—	—	—	5,276,582
Financial guarantee agreements	—	—	—	—	—	12,709
Total of items not recognized in the Consolidated Statement of Financial Position:	—	—	—	—	—	5,289,291
Total	¥ 16,251,627	¥ 15,977	¥ 125,876	¥ 16,393,480	¥ (93,252)	¥ 21,589,519

Notes:

(1) Allowance for doubtful accounts of debt instruments measured at fair value through other comprehensive income is not included.

(2) With regard to credit-impaired financial assets, the allowance for doubtful accounts has been reduced by ¥3,002 million in the year ended December 31, 2022 as a result of collateral and other credit enhancements.

(3) Regarding financial assets where terms and conditions are modified when customers or clients request modification of payment due dates, our group companies 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 year ended December 31, 2022, 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 ¥31,407 million and ¥7,723 million, respectively.

Consolidated Cash Flows

The following table shows our consolidated cash flow data for the years ended December 31, 2021, 2022 and 2023 and the nine-month periods ended September 30, 2023 and 2024:

	For the year ended December 31,			For the nine-month period ended September 30,	
	2021	2022	2023	2023	2024
	(in millions of yen)				
Net cash flows from operating activities	¥ 582,707	¥ (262,068)	¥ 724,192	¥ 161,663	¥ 819,503
Net cash flows from investing activities	(611,830)	(948,289)	(597,416)	(348,537)	(766,953)
Net cash flows from financing activities	1,402,265	1,486,686	291,956	174,202	701,528
Effect of change in exchange rates on cash and cash equivalents	15,853	7,730	14,582	23,130	5,123
Net increase (decrease) in cash and cash equivalents	1,388,995	284,059	433,314	10,458	759,201
Cash and cash equivalents at the beginning of the period	3,021,306	4,410,301	4,694,360	4,694,360	5,127,674
Cash and cash equivalents at the end of the period	¥ 4,410,301	¥ 4,694,360	¥ 5,127,674	¥ 4,704,818	¥ 5,886,875

Comparison of the Nine–Month Period Ended September 30, 2024 with the Nine-Month Period Ended September 30, 2023

Cash and cash equivalents at the end of the nine-month period ended September 30, 2024 were ¥5,886,875 million, an increase of ¥1,182,057 million from the end of the nine-month period ended September 30, 2023. Cash flow conditions and their major factors for the nine-month period ended September 30, 2024 are as follows:

Net cash provided by operating activities was ¥819,503 million for the nine-month period ended September 30, 2024, compared to net cash provided by operating activities of ¥161,663 million for the nine-month period ended September 30, 2023. The main components of net cash provided by operating activities for the nine-month period ended September 30, 2024 included a cash inflow of ¥905,835 million due to an increase in financial liabilities for securities business, a cash inflow of ¥841,381 million due to an increase in deposits for banking business, partially offset by a cash outflow of ¥750,155 million due to an increase in financial assets for securities business and a cash outflow of ¥416,471 million due to an increase in loans for banking business.

Net cash used in investing activities was ¥766,953 million for the nine-month period ended September 30, 2024, an increase from ¥348,537 million for the nine-month period ended September 30, 2023. The main components of net cash used in investing activities for the nine-month period ended September 30, 2024 included a cash outflow of ¥1,307,347 million due to purchases of investment securities for banking business offset by a cash inflow of ¥758,177 million due to proceeds from sales and redemption of investment securities for banking business.

Net cash provided by financing activities for the nine-month period ended September 30, 2024 was ¥701,528 million, an increase from ¥174,202 million for the nine-month period ended September 30, 2023. The main components of net cash provided by financing activities for the nine-month period ended September 30, 2024 included a cash inflow of ¥601,313 million due to proceeds from issuance of bonds, a cash inflow of ¥186,750 million due to proceeds from long-term borrowings and a cash inflow of ¥132,200 million due to proceeds from long-term borrowings for banking business, offset by a cash outflow of ¥208,407 million due to redemption of bonds and a cash outflow of ¥119,400 million due to repayments of long-term borrowings for credit card business.

Comparison of the Year Ended December 31, 2023 with the Year Ended December 31, 2022

Cash and cash equivalents at the end of the year ended December 31, 2023 were ¥5,127,674 million, an increase of ¥433,314 million from the end of the year ended December 31, 2022. Cash flow conditions and their major factors for the year ended December 31, 2023 are as follows:

Net cash provided by operating activities was ¥724,192 million for the year ended December 31, 2023, compared to net cash used in operating activities of ¥262,068 million for the year ended December 31, 2022. The main components of net cash provided by operating activities in 2023 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 used in investing activities was ¥597,416 million for the year ended December 31, 2023, a decrease from ¥948,289 million for the year ended December 31, 2022. The main components of net cash used in investing activities in 2023 included a net cash outflow of ¥280,238 million due to purchases and sales 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 provided by financing activities for the year ended December 31, 2023 was ¥291,956 million, a decrease from ¥1,486,686 million for the year ended December 31, 2022. 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.

Comparison of the Year Ended December 31, 2022 with the Year Ended December 31, 2021

Cash and cash equivalents at the end of the year ended December 31, 2022 were ¥4,694,360 million, an increase of ¥284,059 million from the end of the prior year. Cash flow conditions and their major factors for the year ended December 31, 2022 are as follows:

Net cash used in operating activities for the year ended December 31, 2022 were ¥262,068 million, compared to net cash provided by operating activities of ¥582,707 million for the prior year. The main components of net cash used in operating activities for the year ended December 31, 2022 were cash outflows from a loss before income tax in the amount of ¥415,612 million, due mainly to losses in our Mobile segment, an increase in loans for credit card business in the amount of ¥387,316 million, an increase in loans for banking business in the amount of ¥978,855 million and an increase in receivables under securities borrowing transactions in the amount of ¥390,380 million, partially offset by cash inflow from an increase in deposits from banking business in the amount of ¥1,571,129 million.

Net cash flows used in investing activities for the year ended December 31, 2022 were ¥948,289 million, an increase from ¥611,830 million for the prior year, due mainly to a cash outflow of ¥1,393,732 million due to purchases of investment securities for banking business, a net cash outflow of ¥298,666 million due to purchases of property, plant and equipment, partially offset by cash inflows from proceeds from sales and redemption of investment securities from banking business in the amount of ¥915,955 million. A significant amount of purchases of property, plant and equipment and of intangible assets was related to the development of *Rakuten Mobile*'s network.

Net cash flows from financing activities for the year ended December 31, 2022 were ¥1,486,686 million, an increase from ¥1,402,265 million for the prior year, due mainly to a cash inflow of ¥1,823,800 million from proceeds from long-term borrowings for banking business and a cash inflow of ¥80 billion from proceeds from sale of shares of subsidiaries not resulting in change in scope of consolidation, partially offset by a cash outflow of ¥480,110 million due to a net decrease in short-term borrowings for banking business and a cash outflow of ¥268,200 million due to repayments of long-term borrowings for banking business.

Liquidity and Liquidity Management

We undertake liquidity management to ensure sufficient cash to meet both normal and unanticipated funding needs. As the parent company of the financial businesses in our FinTech segment, we establish overall

principles and guidelines for risk management and our Governance Risk Compliance Department works with each of our operating subsidiaries to implement prudent liquidity management strategies, together with the Finance Department. See "—Risk Management" for a description of our and our operating subsidiaries' risk management activities, including those relating to the management of liquidity risk.

Cash Requirements

We require cash on an ongoing basis to finance our regular operations in all segments of our business. Our cash outlays for operating expenses include principally interest expenses on our borrowings and general and administrative expenses, including employee compensation, rent and other items. Income tax payments also require significant cash outlays. We expect that funds required for working capital and income tax payments will fluctuate generally with the growth of our business and earnings, although a variety of factors may affect the level of funds required in any particular year. In the year ended December 31, 2023 and each of the three-month periods ended March 31, 2024, June 30, 2024 and September 30, 2024, our consolidated operating cash flows were positive, recording a net cash flows from operating activities of ¥724.2 billion, ¥148.9 billion ¥516.8 billion and ¥153.8 billion, respectively, mainly due to the combined cash inflows from banking and securities business, despite *Rakuten Mobile*'s continued negative effect on operating cash flows overall (although such effect has decreased as *Rakuten Mobile*'s results have improved). See "—Consolidated Cash Flows" and "—Results of Operations." We also require cash to fund capital investments, acquisitions and other strategic investments. In recent years, the cash flows used in investment activities have been significant due mainly to Mobile segment-related capital investments.

Mobile Segment-related Capital Investments

The businesses in our Mobile segment have substantial cash requirements. For the years ended December 31, 2021, 2022 and 2023 and for the nine-month period ended September 30, 2024, our capital investments for the Mobile segment were ¥509.0 billion, ¥418.8 billion, ¥238.5 billion and ¥96.6 billion, respectively, primarily related to the development of our MNO network and installation of physical base stations. Due to the execution of the roaming agreement with KDDI in June 2023, we were able to significantly reduce the capital expenditures in the year ended December 31, 2023, which amounted to ¥177.6 billion, below our previously expected level of ¥200 billion. Assuming that the roaming arrangement with KDDI and the SAIKYO plan that commenced in June 2023 will continue to provide the anticipated benefits, we expect to reduce the amount of capital investments required by a total of nearly ¥300 billion in the three years ending December 31, 2025 compared to our previous plans, which called for a total of ¥570 billion during the same period. This planned capital expenditure figure contains a portion of the additional capital expenditures that will be required to roll out our services on the 700 MHz "platinum band" spectrum allotted to us in October 2023 attributable to 2024 and 2025. Our network-related capital expenditures in *Rakuten Mobile* (which excludes right of use assets and specified base station establishment fees) totaled ¥64.8 billion in the nine-month period ended September 30, 2024, and we expect the total for 2024 to be below ¥100 billion. We expect a similar amount of capital investments in 2025, which will be primarily focused on 5G network infrastructure. See "Risk Factors—Risks Relating to Our Mobile Segment—If we are unable to raise additional funds through bonds or borrowings or refinance existing indebtedness on acceptable terms in the future, due to a ratings downgrade or otherwise, if we are unable to engage in securitization transactions, particularly with respect to *Rakuten Card* or *Rakuten Mobile*, or if we are otherwise unable to raise funds as we desire, our business, financial condition and results of operations could be adversely affected."

We have funded significant portions of the cash requirements for this segment through the issuance of bonds by Rakuten Group, Inc., many of which are scheduled to mature in the coming years. See "—Bonds and Borrowings of Rakuten Group, Inc.—Bonds Issued by Rakuten Group, Inc." Our basic policy for the short-to-medium term is to reduce the balance of interest-bearing debt through monetization of assets and businesses and extend maturity of existing debt through various refinancing options.

Debt Repayment Obligations

We have a significant amount of bonds and borrowings outstanding, and their scheduled repayment is a significant cash requirement of ours. See "—Sources of Liquidity and Funding" below for details regarding the timing and amounts of such repayment obligations.

FinTech Segment-related Cash Requirements

The businesses in our FinTech segment have substantial cash requirements including:

- settlement of credit card transactions with merchants, payments in connection with cash advances to customers, operating expenses and income and other taxes in our *Rakuten Card* business;
- customers' deposit withdrawals and loan requirements, payments in connection with new investments, repayment of short-term borrowings, payment of principal and interest under derivative instruments, operating expenses and income and other taxes in our *Rakuten Bank* business;
- payments in connection with margin lending to customers of our *Rakuten Securities* business; and
- insurance claims and other product-related payments, payments in connection with new investments, income and other taxes and operating expenses in our *Rakuten Life Insurance* business.

These funding needs are generally met on an entity-by-entity basis through funding sources available to the respective entity. See "—Sources of Liquidity and Funding."

Sources of Liquidity and Funding

In our Internet Services and in our Mobile segment, we finance our cash requirements using a number of methods, including:

- through debt financing such as bonds and borrowings,
- lease financings and securitizations of future mobile subscriber fees, handset installment payments and handset inventory of *Rakuten Mobile* (*Rakuten Bank* being the investor in such securitizations),
- monetization of assets and businesses such as the issuance of new equity securities or asset sales, such as the offering of shares of our common stock and concurrent third-party allotments that were completed in June 2023, listing of *Rakuten Bank*, the sale and leaseback of mobile network assets of *Rakuten Mobile* in the summer of 2024, our plan to seek capital investments from third-parties for *Rakuten Symphony*, the potential IPO of *Rakuten Securities Holdings*, the strategic alliance between *Rakuten Securities Holdings* and Mizuho Securities, the strategic capital and business alliance between *Rakuten Card* and Mizuho Financial Group, Inc., and asset sales and other monetizations of investments held at *Rakuten Capital*, our internal venture capital arm, and
- operating cash flows and bonds and borrowings.

Debt funding for these segments through bonds and borrowings is generally done at the Rakuten Group, Inc. level. For information about the bonds and borrowings of Rakuten Group, Inc., see "—Bonds and Borrowings of Rakuten Group, Inc." The ability to raise funds from outside sources for these businesses has become increasingly important in recent years as we have needed to fund both capital investments and operating cash flows at *Rakuten Mobile*, including the year ended December 31, 2023 and each of the three-month periods ended March 31, 2024, June 30, 2024 and September 30, 2024, when, despite overall positive operating cash flows, cash needs for our Mobile segment continued to have a negative effect (although such effect has decreased as *Rakuten Mobile*'s results have improved).

We have special funding needs in our FinTech segment, where we require funds in order to support revolving loans in our credit card business and lending in our digital banking business as well as margin trading in our online securities business. We typically address the funding needs of our FinTech businesses on an entity-by-entity basis. For example, funding sources for *Rakuten Card* include securitization of receivables, with *Rakuten Bank* as the investor, for both shopping and revolving balances generated from *Rakuten Card* holders. Additional funding is obtained from short-term and long-term borrowings from financial institutions. See "—Financial Condition and Liquidity of Our FinTech Businesses." For breakdowns of bonds and borrowings at *Rakuten Card*, *Rakuten Bank* and *Rakuten Securities*, see "—Bonds and Borrowings for *Rakuten Card*," "—Borrowings for *Rakuten Bank*" and "—Borrowings for *Rakuten Securities*." Generally, operating cash flows

from our FinTech businesses are not directly available for use elsewhere; we receive cash from these businesses in the form of the payment of management fees (except for entities such as *Rakuten Bank*, whose management agreement we terminated in preparation for its listing; to the extent that the reorganization discussed under "—Our Business Operations—FinTech Segment—Memorandum of Understanding Regarding Reorganization of FinTech Businesses" is implemented, their respective management agreements may also be changed or cancelled), license fees, royalties and dividends (if any).

Bonds and Borrowings of Rakuten Group, Inc.

Bonds Issued by Rakuten Group, Inc.

As of the date of this offering circular, bonds issued by Rakuten Group, Inc. are scheduled to mature in the coming years as follows: following the repurchase of our yen-denominated and U.S. dollar-denominated senior notes maturing in 2024, our remaining bond maturities for 2024 stand at ¥19 billion and $784 million in 2024 and ¥476 billion in 2025. We have already funded the refinancing of senior bonds issued by Rakuten Group, Inc. scheduled to become due in 2024 and 2025. An additional ¥76 billion principal amount of subordinated bonds are scheduled to become callable in November and December 2025, which we intend to redeem or otherwise repurchase and cancel at or prior to such time using the proceeds from the offering of the notes. In recent years, we have focused on reducing bonds outstanding and reducing refinancing and repayment risk. For example, on April 24, 2024, we completed a private placement of ¥50.0 billion aggregate principal amount of 6.00% senior notes due 2029, and we plan to use the proceeds from the sale of the notes to repay existing bonds, and on April 10, 2024, we completed an offering of $2.0 billion aggregate principal amount 9.75% senior notes due 2029, and we plan to use the proceeds from the sale of the notes to fund the redemption and/or repurchase of our senior bonds scheduled to mature in 2024 or later. In February 2024, we repurchased an aggregate of $966.1 million of senior notes and ¥55.8 billion of senior bonds maturing in 2024 using a portion of the proceeds from the offering of senior notes issued in February 2024, which will mature in 2027. We plan to use the remaining proceeds to fund repurchases of our bonds scheduled to mature in 2024 or to otherwise reduce our bonds outstanding (our intention is that the offering will, ultimately, be neutral for our consolidated indebtedness on a consolidated basis following the application of the proceeds). In December 2023, we redeemed ¥68 billion principal amount of subordinated bonds. We funded the redemption of an additional ¥10 billion of senior bonds at maturity in June 2023 using a portion of the proceeds of the offering of shares of common stock and concurrent third-party allotments that were completed in June 2023 and used a further portion of such proceeds to redeem the subordinated bonds on their first call date in December 2023. Our basic policy for the short-to-medium term is to reduce the balance of interest-bearing debt through monetization of assets and businesses and extend maturity of existing debt through various refinancing options. After we originally incurred much of our current indebtedness, including the bonds whose maturity we intend to seek to manage in the short-to-medium term, market interest rates, especially U.S. dollar interest rates, have increased significantly following multiple increases to the benchmark Federal Funds Rate in 2022 and 2023, and additional increases may occur in the future. As a result of such changes in market interest rates (even without the effect of downgrades in our credit ratings), the interest rates at which we can refinance such bonds (or other indebtedness we may choose to refinance—including instruments which are treated as components of equity for IFRS but as a legal matter are structured as bonds) are likely to be significantly higher than those applicable to our existing bonds.

The following table shows certain information regarding bonds issued by Rakuten Group, Inc. that were outstanding as of December 31, 2022 and 2023:

Issuer Name	Type	Maturity Date	Interest rate	Amount as of December 31,[1] 2022	2023
				(in millions of yen)	
Rakuten Group, Inc.	The 5th unsecured bond Currency: JPY Maturity: seven years[2]	June 23, 2023	0.25%	¥ 9,996	¥ —
Rakuten Group, Inc.	The 8th unsecured bond Currency: JPY Maturity: seven years[3]	June 25, 2024	0.32%	19,980	19,993
Rakuten Group, Inc.	The 9th unsecured bond Currency: JPY Maturity: ten years	June 25, 2027	0.42%	9,974	9,980
Rakuten Group, Inc.	The 11th unsecured bond Currency: JPY Maturity: five years[3]	June 25, 2024	0.25%	9,885	9,895
Rakuten Group, Inc.	The 12th unsecured bond Currency: JPY Maturity: seven years	June 25, 2026	0.35%	19,953	19,566
Rakuten Group, Inc.	The 13th unsecured bond Currency: JPY Maturity: ten years	June 25, 2029	0.45%	19,931	19,941
Rakuten Group, Inc.	The 14th unsecured bond Currency: JPY Maturity: fifteen years	June 23, 2034	0.90%	19,909	19,517
Rakuten Group, Inc.	The 15th unsecured bond Currency: JPY Maturity: three years[4]	December 2, 2024	0.50%	74,814	74,911
Rakuten Group, Inc.	The 16th unsecured bond Currency: JPY Maturity: five years	December 2, 2026	0.60%	44,844	44,884
Rakuten Group, Inc.	The 17th unsecured bond Currency: JPY Maturity: seven years	December 1, 2028	0.80%	9,959	9,966
Rakuten Group, Inc.	The 18th unsecured bond Currency: JPY Maturity: ten years	December 2, 2031	1.05%	84,629	84,171
Rakuten Group, Inc.	The 19th unsecured bond Currency: JPY Maturity: twelve years	December 2, 2033	1.30%	37,818	37,835
Rakuten Group, Inc.	The 20th unsecured bond Currency: JPY Maturity: fifteen years	December 2, 2036	1.50%	43,770	43,787
Rakuten Group, Inc.	The 21st unsecured bond Currency: JPY Maturity: three years	June 13, 2025	0.72%	148,751	149,442
Rakuten Group, Inc.	The 22nd unsecured bond Currency: JPY Maturity: two years	February 10, 2025	3.30%	—	248,890
Rakuten Group, Inc.	The 1st subordinated bond Currency: JPY Maturity: 35 years[5]	December 13, 2053	2.35%	67,893	—
Rakuten Group, Inc.	The 2nd subordinated bond Currency: JPY Maturity: 37 years[6]	December 13, 2055	2.61%	25,899	25,934
Rakuten Group, Inc.	The 3rd subordinated bond Currency: JPY Maturity: 40 years[7]	December 13, 2058	3.00%	12,922	12,935

Issuer Name	Type	Maturity Date	Interest rate	Amount as of December 31,[1] 2022	2023
				(in millions of yen)	
Rakuten Group, Inc.	The 4th subordinated bond Currency: JPY Maturity: 35 years[8]	November 4, 2055	1.81%	49,753	49,840
Rakuten Group, Inc.	The 5th subordinated bond Currency: JPY Maturity: 37 years[9]	November 4, 2057	2.48%	19,877	19,903
Rakuten Group, Inc.	The 6th subordinated bond Currency: JPY Maturity: 40 years[10]	November 4, 2060	3.00%	49,618	49,667
Rakuten Group, Inc.	The November 2024 maturity USD-denominated unsecured bond Currency: USD Maturity: five years[11]	November 27, 2024	3.546%	104,625	112,703
Rakuten Group, Inc.	USD-denominated unsecured bond Currency: USD Maturity: two years[11]	November 30, 2024	10.250%	62,466	55,783
Rakuten Group, Inc.	USD-denominated unsecured bond Currency: USD Maturity: 1 year and 10 months[11]	November 30, 2024	10.250%	—	62,327
	Total			¥947,266	¥1,181,870

Notes:

(1) All bonds are measured at amortized cost. The nominal interest rates applied for each bond as of December 31, 2022 and 2023 stated in the "Interest rate" column differ from the effective interest rates.

(2) During the year ended December 31, 2023, the 5th unsecured bond was redeemed.

(3) During the six-month period ended June 30, 2024, the 8th unsecured bond and the 11th unsecured bond were redeemed.

(4) During the six-month period ended June 30, 2024, the 15th unsecured bond was partially repurchased with cash on hand and proceeds from the February 2024 U.S. dollar-denominated senior bond issuance.

(5) We called these bonds on December 13, 2023 pursuant to their terms with a portion of the proceeds of the offering of shares of our common stock and concurrent third-party allotments that were completed in June 2023.

(6) We may, at our discretion, call these bonds on December 13, 2025, or any interest payment date thereafter.

(7) We may, at our discretion, call these bonds on December 13, 2028, or any interest payment date thereafter.

(8) We may, at our discretion, call these bonds on November 4, 2025, or any interest payment date thereafter.

(9) We may, at our discretion, call these bonds on November 4, 2027, or any interest payment date thereafter.

(10) We may, at our discretion, call these bonds on November 4, 2030, or any interest payment date thereafter.

(11) During the six-month period ended June 30, 2024, the November 2024 maturity USD-denominated unsecured bond and the two-year USD-denominated unsecured bond were partially repurchased, while the one-year USD-denominated unsecured bond was fully repurchased. These repurchases were executed through a cash tender offer, funded by the proceeds from the February 2024 U.S. dollar-denominated senior bond issuance.

In addition to the bonds listed in the table above, Rakuten Group, Inc. has issued the following series of bonds:

- The 2021 Subordinated Notes. The 2021 Subordinated Notes have no stated maturity date and are classified as equity instruments under IFRS, due to the fact that they are offered with no fixed maturity and are thus redeemable at our discretion, and that interest payment is deferrable also at our discretion without involving payment obligation.

- On February 6, 2024, $1.8 billion aggregate principal amount of senior unsecured U.S. dollar-denominated notes due February 15, 2027 bearing interest at a rate of 11.250% p.a. Using the proceeds of such notes, we repurchased $599,607,000 and $366,444,000, respectively, of our U.S. dollar denominated 10.250% senior notes due 2024 and our U.S. dollar denominated 3.546% senior notes and ¥55.8 billion of the 15th unsecured bond due 2024 shown in the table above.

- On April 10, 2024, $2.0 billion aggregate principal amount of senior unsecured U.S. dollar-denominated notes due April 15, 2029 bearing interest at a rate of 9.750% p.a.
- On April 24, 2024, ¥50.0 billion aggregate principal amount of unsecured yen-denominated notes due April 24, 2029 bearing interest at a rate of 6.000% p.a.

Certain of our subordinated bonds are eligible for "equity credits" from the relevant credit rating agencies. R&I and JCR have provided a 50% equity credit with respect to the 2018 Domestic Subordinated Bonds. Under the respective ratings methodologies of R&I and JCR, the 2021 Subordinated Notes and 2020 Domestic Subordinated Bonds are eligible for a 50% equity credit. Under the ratings methodology of S&P, the 2021 Subordinated Notes and the 2020 Domestic Subordinated Bonds are eligible for a smaller equity credit.

Borrowings of Rakuten Group, Inc.

The following table shows certain information regarding borrowings by Rakuten Group, Inc.:

	As of December 31,			
	2022		2023	
	Amount[1]	Interest rate	Amount[1]	Interest rate
	(in millions of yen and percentages)			
Short-term borrowings	¥ 123,193	1.87%	¥ 2,997	3.00%
Long-term borrowings:				
Floating-rate borrowings[2]	221,796	0.39%–0.51%	177,726	0.41%-0.52%
Fixed-rate borrowings[3]	294,526	0.48%–2.75%	244,887	0.75%-3.10%
Commercial paper	174,000	0.15%–0.47%	30,500	0.40%-1.00%
Total borrowings	¥ 813,515		¥ 456,110	

Notes:

(1) All borrowings are initially recognized at fair value and subsequently measured at amortized cost. The nominal "Interest rate" column applied to each borrowing in the years ended December 31, 2022 and 2023 differs from the effective interest rates. In addition, for floating-rate borrowings, the rate in the "Interest rate" column includes the underlying hedged items of cash flow hedges where floating-rate borrowings is swapped for fixed-rate borrowings, and the interest rates stated incorporate the effect of the cash flow hedges.

(2) For our floating-rate borrowings, the maturities as of December 31, 2022 ranged from eight years to ten years and the maturities as of December 31, 2023 ranged from eight years to ten years.

(3) For our fixed-rate borrowings, the maturities as of December 31, 2022 ranged from five years to eight years and the maturities as of December 31, 2023 ranged from five years to nine years.

The borrowings shown above consist largely of syndicated loans. Under the terms of such loans, we generally make quarterly payments of principal and interest. In the years ended December 31, 2022 and 2023 and the nine-month period ended September 30, 2024, respectively, repayments of long-term borrowings (which do not include repayments of long-term borrowings for securities business, repayments of long-term borrowings for credit card business or repayments of long-term borrowings for banking business) totaled ¥104,411 million, ¥128,555 million and ¥102,065 million. Under the terms of these loans, we also are subject to certain financial covenants, including:

- financial covenants, including the requirement that we do not incur net losses (as defined under the relevant agreements) for a full fiscal year (as described in the next paragraph, this previously covered two consecutive fiscal years) as well as the maintenance of certain levels of equity;
- reporting covenants over the progress of the business of *Rakuten Mobile*;
- subject to certain exceptions, restrictions on our ability to (i) pledge assets as security, (ii) change our corporate form, conduct mergers or other similar transactions or sell a business line or all or a portion of our property (subject to certain exceptions) or (iii) purchase the business or all or a part of the property of a third party (in the case of (ii) and (iii), to the extent doing so would or would be likely to materially affect our ability to perform our obligations under the relevant agreement); and
- covenants to maintain an issuer rating from R&I or a long-term issuer rating from JCR, in each case, of at least BBB-.

If we were to breach the covenants under such loans, and were not able to cure such default or obtain a waiver within the applicable grace period, such loans could be declared immediately due and payable (which could, in turn, trigger cross-default or cross-acceleration provisions in our other borrowings or under the terms of our outstanding bonds, where applicable). For example, in the year ended December 31, 2022, it became

apparent that we would record a second consecutive year of net losses (which is defined for the purposes of the relevant syndicated loans as consolidated revenue less operating expenses, plus net gains on the sales of shares of subsidiaries), causing us to breach the financial covenants under certain of our syndicated loan agreements. Accordingly, we sought waivers of such breach from the lenders thereunder. In exchange for such waiver, we agreed to modify the relevant covenants such that the recording of a net loss (as defined above) for a single fiscal year would be a breach of the applicable covenants. See "Risk Factors—Risks Relating to Our Business Generally—Our high levels of indebtedness could adversely affect our financial condition and liquidity, or our ability to administer our business as desired."

Rakuten Group, Inc. also has a commercial paper facility with a total issuance amount of ¥200.0 billion, which we use mainly for working capital purposes.

Rakuten Group, Inc., also has in place a ¥150.0 billion commitment line with third-party financial institutions. As of September 30, 2024, none of such line was drawn upon. In June 2024, Rakuten Group, Inc.'s commitment line contract was renewed with an additional covenant that, from the date of the renewal through the date of the termination of the agreement and the repayment of any borrowings outstanding thereunder, as of the end of any fiscal quarter, would be violated if we receive a comment from our auditor indicating the need to recognize any indication of impairment with respect to the tangible or intangible assets of *Rakuten Mobile*, nor may any such impairment be recorded. Accordingly, to the extent that we believe that such covenant may be violated (even if, with respect to the recognition of an indication of impairment, no impairment loss is or will be recorded), we will be required to seek waivers from the lenders under the commitment line to avoid breaching this covenant.

Bonds and Borrowings for Rakuten Card

The following table shows certain information regarding bonds issued by Rakuten Card Co., Ltd. that are outstanding as of December 31, 2022 and 2023.

Issuer Name	Type	Maturity Date	Interest rate	Amount as of December 31,(1)	
				2022	2023
				(in millions of yen)	
Rakuten Card Co., Ltd.	The 2nd unsecured bond Currency: JPY Maturity: five years	December 12, 2024	0.30%	19,864	19,882
Rakuten Card Co., Ltd.	The 3rd unsecured bond Currency: JPY Maturity: seven years	December 11, 2026	0.42%	9,972	9,979
Rakuten Card Co., Ltd.	The 4th unsecured bond Currency: JPY Maturity: five years	December 23, 2025	0.49%	29,719	29,925
Rakuten Card Co., Ltd.	The 5th unsecured bond Currency: JPY Maturity: three years	December 17, 2024	0.30%	29,920	29,961
Rakuten Card Co., Ltd.	The 6th unsecured bond Currency: JPY Maturity: five years	December 17, 2026	0.62%	13,947	13,960
Rakuten Card Co., Ltd.	The 7th unsecured bond Currency: JPY Maturity: seven years	December 15, 2028	0.83%	4,977	4,980
Rakuten Card Co., Ltd.	The 8th unsecured bond Currency: JPY Maturity: ten years	December 17, 2031	1.07%	10,946	10,953
Rakuten Card Co., Ltd.	The 9th unsecured bond Currency: JPY Maturity: five years	December 16, 2027	1.65%	49,692	49,767
	Total			¥169,037	¥169,407

Note:

(1) All bonds are measured at amortized cost. The nominal interest rates applied for each bond as of December 31, 2022 and 2023 stated in the "Interest rate" column differ from the effective interest rates.

The following table shows certain information regarding borrowings by Rakuten Card Co., Ltd.:

	As of December 31,			
	2022		2023	
	Amount[1]	Interest rate	Amount[1]	Interest rate
	(in millions of yen and percentages)			
Short-term borrowings	¥ 77,905	0.35%–1.98%	¥ 62,336	0.40%-2.40%
Long-term borrowings:				
Floating-rate borrowings[2]	107,590	0.31%–2.25%	135,839	0.32%-3.07%
Fixed-rate borrowings[3]	228,306	0.20%–1.23%	181,587	0.20%-1.98%
Commercial paper	229,900	0.06%–0.60%	54,700	0.10%-0.83%
Total borrowings	¥ 643,701		¥ 434,462	

Notes:

(1) All borrowings are initially recognized at fair value and subsequently measured at amortized cost. The nominal "Interest rate" column applied to each borrowing as of December 31, 2022 and 2023 differs from the effective interest rates. In addition, for floating-rate borrowings, the rate in the "Interest rate" column includes the underlying hedged items of cash flow hedges where floating-rate borrowings is swapped for fixed-rate borrowings, and the interest rates stated incorporate the effect of the cash flow hedges.

(2) For floating-rate borrowings, the maturities as of December 31, 2022 ranged from three years to five years and the maturities as of December 31, 2023 ranged from three years to five years.

(3) For fixed-rate borrowings, the maturities as of December 31, 2022 ranged from three years to 25 years and the maturities as of December 31, 2023 ranged from three years to 25 years.

Borrowings for Rakuten Bank

Since December 2015, *Rakuten Bank* has borrowed money from the BOJ in accordance with its Fund-Provisioning Measure to Stimulate Bank Lending conducted through its Loan Support Program. This loan was provided to support an increase in loans from the perspective of encouraging more aggressive actions by private financial institutions and a positive increase in demand for funds by companies and households. Specifically, borrowed money is available from the BOJ according to increases in the amount of *Rakuten Bank*'s loans and bills discounted, with a term of four years and are non-interest bearing. However, on March 19, 2024, the BOJ announced that it will provide loans under the Funds-Provisioning Measure to Stimulate Bank Lending with an interest rate of 0.1 percent and a duration of one year, and that the maximum amount of funds that each eligible counterparty can borrow will be equivalent to the net increase in its amount outstanding of loans.

In addition, since June 2020, *Rakuten Bank* has borrowed money from the BOJ in accordance with its Special Funds-Supplying Operations to Facilitate Financing in Response to COVID-19. In light of the impact of the spread of COVID-19 on economic activities, the BOJ has and will continue to support the provision of funds to the private sector from the perspective of ensuring smooth financial conditions in the private sector and maintaining financial market stability through appropriate monetary control. Specifically, when *Rakuten Bank* acquires eligible private debt (such as corporate bonds, short-term corporate bonds, asset-backed short-term securities, housing loans, beneficiary interests in trust) that is recognized as eligible collateral by the BOJ and pledge such assets to the BOJ, *Rakuten Bank* is able to borrow money from the BOJ to the extent of the value of the collateral. The term of the loan borrowed before October 2022 is six months bearing no interest, and the term of the loan borrowed after October 2022 is three months bearing no interest. The BOJ current account will be eligible to receive interest of +0.1%.

The following table shows certain information regarding borrowings by *Rakuten Bank*:

	As of December 31,			
	2022		2023	
	Amount[1]	Interest rate	Amount[1]	Interest rate
	(in millions of yen and percentages)			
Short-term borrowings	¥ 4,289	1.26%	¥ 13,146	1.36%–1.38%
Long-term borrowings:				
Fixed-rate borrowings[2]	2,177,400	0.0%	2,433,600	0.0%
Total borrowings	¥ 2,181,689		¥ 2,446,746	

Notes:
(1) All borrowings are initially recognized at fair value and subsequently measured at amortized cost. The nominal "Interest rate" column applied to each borrowing in the years ended December 31, 2022 and 2023 differs from the effective interest rates.
(2) For fixed-rate borrowings, the maturities as of December 31, 2022 were four years and maturities as of December 31, 2023 were four years.

Borrowings for Rakuten Securities

The following table shows certain information regarding borrowings by *Rakuten Securities*:

	As of December 31,			
	2022		2023	
	Amount[1]	Interest rate	Amount[1]	Interest rate
	(in millions of yen and percentages)			
Short-term borrowings	¥ 139,000	0.14%–1.48%	¥ 88,000	0.21%–0.60%
Long-term borrowings:				
Floating-rate borrowings[2]	18,542	0.35%	18,578	0.37%
Total borrowings	¥ 157,542		¥ 106,578	

Notes:
(1) All borrowings are initially recognized at fair value and subsequently measured at amortized cost. The nominal "Interest rate" column applied to each borrowing in the years ended December 31, 2022 and 2023 differs from the effective interest rates.
(2) For floating-rate borrowings, the maturities as of December 31, 2022 were three years and the maturities as of December 31, 2023 were three years.

Maturity Schedule of Financial Liabilities

The table below sets forth the maturity schedule for our outstanding financial liabilities as of December 31, 2023:

	As of December 31, 2023					
	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
	(in millions of yen)					
Financial liabilities other than derivatives:						
Accounts payable—trade	¥ 419,880	¥ —	¥ —	¥ —	¥ —	¥ —
Deposits for banking business	9,579,042	9,291	4,153	2,497	2,773	1,775
Financial liabilities for securities business	4,236,517	—	—	—	—	—
Bonds and borrowings[2][3]	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[4]	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	—	—	—	—	—

Notes:
(1) Financial liabilities that are due on demand are included in "one year or less." Deposits for banking business includes demand deposits of ¥8,811,693 million.

(2) In addition to the liabilities listed in the table above, on April 22, 2021, Rakuten Group, Inc. issued the 2021 Subordinated Notes. The 2021 Subordinated Notes have no stated maturity date and are classified as equity instruments under IFRS, due to the fact that they are offered with no fixed maturity and are thus redeemable at our discretion, and that interest payment is deferrable also at our discretion without involving payment obligation.

(3) "Bonds and borrowings" in the table above does not include $1.8 billion aggregate principal amount of senior unsecured U.S. dollar denominated notes due February 15, 2027 bearing interest at a rate of 11.250% p.a. issued in February 2024, $2.0 billion aggregate principal amount of senior unsecured U.S. dollar-denominated notes due April 15, 2029 bearing interest at a rate of 9.750% p.a. issued on April 10, 2024, ¥50.0 billion aggregate principal amount of unsecured yen-denominated notes due April 24, 2029 bearing interest at a rate of 6.000% p.a. issued on April 24, 2024 or the use of proceeds therefrom to repurchase or redeem outstanding bonds. See "—Bonds and Borrowings of Rakuten Group, Inc.—Bonds Issued by Rakuten Group, Inc."

(4) Reinsurance contract liabilities of ¥6,992 million are excluded.

Information About Certain Contingent Liabilities

Commitment Line Lending Contracts and Guarantee Obligations

Certain of our subsidiaries, primarily *Rakuten Card*, 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, we provide 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 as of December 31, 2023 and June 30, 2024, the most recent date for which detailed information is available, are as follows:

- Unused balance of lending commitment lines: ¥5,581,062 million as of December 31, 2023; ¥5,724,195 million as of June 30, 2024;

- Financial guarantee contracts: ¥10,876 million as of December 31, 2023; ¥9,961 million as of June 30, 2024.

Commitment Line Borrowing Contracts

We and certain of our subsidiaries have entered into commitment line borrowing contracts with multiple financial institutions and the balances of the unused portions of such commitment lines available as of December 31, 2023 and September 30, 2024 are as follows:

- Total commitment lines: ¥257,721 million as of December 31, 2023; ¥256,623 million as of September 30, 2024;

- Total borrowings outstanding: ¥17,259 million as of December 31, 2023; ¥20,697 million as of September 30, 2024.

Capital Adequacy of *Rakuten Bank*

Regulatory Capital Requirements

The Basel Committee has issued "A global regulatory framework for more resilient banks and banking systems," or Basel III, outlining the global regulations for stronger bank capital adequacy. With respect to banks with no international operations, including *Rakuten Bank*, the FSA promulgated in March 2013 certain amendments to the domestic standard of the capital adequacy requirements applicable to such banks, adapting and partially implementing the requirements set forth in Basel III, with the aim of improving their quality of capital.

Under the requirements, the concepts of Tier 1 and Tier 2 capital, which were the key concepts of the framework of Basel II, have been replaced with the single concept of "core capital." Capital instruments that may

be counted as core capital are effectively limited to common stock and preferred stock that is mandatorily convertible into common stock, while other preferred securities and subordinate debts are no longer included. These and other requirements partially based on Basel III have started to phase in from the end of March 2014, subject to a transitional period up to 15 years for certain of the new requirements.

Under the new requirements, the capital adequacy ratio is calculated by dividing adjusted capital by risk-weighted assets.

Adjusted capital is calculated based on the amount of instruments and reserves that qualify as core capital, with certain regulatory adjustments. Risk-weighted assets generally include credit risk-weighted assets, the equivalent amount of market risk divided by 8% and the equivalent amount of operational risk divided by 8%. In calculating *Rakuten Bank*'s capital adequacy ratio, *Rakuten Bank* has adopted the standardized approach to calculate the amount of *Rakuten Bank*'s credit risk weighted assets, as well as the standardized approach to assess the equivalent amount of operational risk. *Rakuten Bank* has adopted exemptions for market risk amounts, because *Rakuten Bank* is not proactively taking market risk and fulfills the requirements for such exemptions.

If the capital adequacy ratio of a financial institution falls below the required level, the FSA may, depending upon the extent of capital deterioration, take certain corrective actions, including requiring the financial institution to submit an improvement plan to strengthen its capital base, reduce its total assets, restrict its business operations or other actions that could have a material effect on its financial statements.

The minimum capital adequacy ratio applicable to Japanese banks with no international operations is 4%.

Capital Adequacy Ratios (Rakuten Bank Standalone)

Rakuten Bank's standalone capital adequacy ratios as of March 31, 2023 and 2024, the latest dates for which detailed information for *Rakuten Bank*'*s* fiscal year-end information is available, calculated in accordance with Japanese GAAP and guidelines established by the FSA are as set forth in the following tables:

	As of March 31,	
	2023	2024
	(in millions of yen, except ratios)	
Core Capital: instruments and reserves (A)	¥ 217,699	¥ 266,697
Core Capital: regulatory adjustments (B)	10,595	13,626
Total adjusted capital (A)-(B)=(C)	207,103	253,071
Total credit risk-weighted assets	1,824,525	2,219,780
Total market risk equivalent / 8%	—	—
Total operational risk equivalent / 8%	133,516	149,788
Total amount of risk-weighted assets (D)	¥ 1,958,042	¥ 2,369,568
Capital adequacy ratio (C)/(D)(%)	10.57%	10.68%

Note:

(1) The numbers for the years ended March 31, 2023 and 2024 are calculated under the regulatory capital requirements applicable to banks with no international operations, which are based on Basel III.

Rakuten Bank's capital adequacy ratio as of March 31, 2024 was 10.68%, which increased from March 31, 2023 due primarily to an increase in capital equity as a result of the issuance of new shares in connection with its listing on the Prime Market of the Tokyo Stock Exchange in 2023 (including the third-party allotment associated with the overallotment), and the subsequent accumulation of profits. Risk-weighted assets increased by ¥411,526 million to ¥2,369,568 million as of March 31, 2024 due mainly to an increase in the amount of credit risk-weighted assets. As of September 30, 2024, *Rakuten Bank*'s capital adequacy ratio further increased to 11.41%. We believe that *Rakuten Bank* was in compliance with all regulatory capital requirements to which it was subject as of September 30, 2024.

Capital

The following table shows a breakdown of *Rakuten Bank*'s standalone total adjusted capital and risk-weighted assets as of March 31, 2023 and 2024, the latest dates for which detailed information for *Rakuten Bank*'*s* fiscal year-end information is available:

	As of March 31,	
	2023	2024
	(in millions of yen, except ratios)	
Core Capital: instruments and reserves:		
Directly issued qualifying common stock or preferred stock mandatorily converted into common stock capital plus related capital surplus and retained earnings	¥ 216,352	¥ 264,365
of which: Capital and capital surplus	29,834	43,159
of which: Retained earnings	186,517	221,206
of which: Treasury stock (deduction)	—	—
of which: Cash dividends to be paid (deduction)	—	—
of which: Other than above	—	—
Subscription rights to common stock or preferred stock mandatorily converted into common stock	—	44
Reserves included in Core Capital: instruments and reserves	1,347	2,287
of which: General allowance for loan losses	1,347	2,287
of which: Eligible reserve	—	—
Eligible Non-cumulative perpetual preferred stock subject to phase out arrangement included in Core Capital: instruments and reserves	—	—
Eligible capital instrument subject to phase-out arrangement included in Core Capital: instruments and reserves	—	—
Capital instrument issued through the measures for strengthening capital by public institutions included in Core Capital: instruments and reserves	—	—
45% of revaluation reserve for land included in Core Capital: instruments and reserves	—	—
Core Capital: instruments and reserves (A)	217,699	266,697
Core Capital: regulatory adjustments:		
Total intangible fixed assets (net of related tax liability, excluding those relating to mortgage servicing rights)	10,595	13,626
of which: Goodwill (net of related tax liability, including those equivalent)	—	—
of which: Other intangible assets other than goodwill and mortgage servicing rights (net of related tax liability)	10,595	13,626
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	—	—
Shortfall of eligible provisions to expected losses	—	—
Securitization gain on sale	—	—
Gains and losses due to changes in own credit risk on fair valued liabilities	—	—
Net defined benefit asset	—	—
Investments in own shares (excluding those reported in the Net Assets section)	—	—
Reciprocal cross-holdings in capital instruments issued by Other Financial Institutions for raising capital that are held by the Holding Company Group	—	—
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation	—	—
Amount exceeding the 10% threshold on specified items	—	—
of which: Significant investments in the common stock of Other Financial Institutions, net of eligible short positions	—	—
of which: Mortgage servicing rights	—	—
of which: Deferred tax assets arising from temporary differences (net of related tax liability)	—	—
Amount exceeding the 15% threshold on specified items	—	—
of which: Significant investments in the common stock of Other Financial Institutions, net of eligible short positions	—	—
of which: Mortgage servicing rights	—	—
of which: Deferred tax assets arising from temporary differences (net of related tax liability)	—	—
Core Capital: regulatory adjustments (B)	10,595	13,626
Total adjusted capital (A)–(B)=(C)	¥ 207,103	¥ 253,071
Risk-weighted assets:		
Credit risk-weighted assets	1,824,525	2,219,780

	As of March 31,	
	2023	2024
	(in millions of yen, except ratios)	
of which: Total of items included in risk-weighted assets subject to transitional arrangements	—	—
of which: Other Financial Institutions Exposures	—	—
of which: Other than the above	—	—
Market risk equivalent / 8%	—	—
Operational risk equivalent / 8%	133,516	149,788
Credit risk-weighted assets adjustments	—	—
Operational risk equivalent adjustments	—	—
Total amount of risk-weighted assets (D)	¥ 1,958,042	¥ 2,369,568
Capital adequacy ratio:		
Capital adequacy ratio (C)/(D)	10.57%	10.68%

Note:

(1) Capital adequacy ratio (standalone, applicable to banks with no international operations) is calculated based on standards stipulated by Article 14-2 of the Banking Act for the purpose of determining whether banks have sufficient equity capital given their holdings of assets and other instruments (Notification No. 19, the FSA, 2006, or Capital Adequacy Notification). *Rakuten Bank* adheres to capital adequacy standards applicable in Japan.

Rakuten Bank's core capital increased by ¥48,998 million from ¥217,699 million as of March 31, 2023 to ¥266,697 million as of March 31, 2024. This increase was due mainly to an increase in the amount of retained earnings. As a result, together with deductions of ¥13,626 million, total adjusted capital as of March 31, 2024 was ¥253,071 million, an increase of ¥45,968 million compared to March 31, 2023. Risk-weighted assets increased by ¥411,526 million to ¥2,369,568 million due mainly to an increase in the amount of credit risk-weighted assets. Operational risk equivalent assets increased by ¥16,272 million to ¥149,788 million.

Solvency Margin Ratio of Rakuten Life Insurance and Rakuten General Insurance

Solvency margin ratio is a measure of capital adequacy which is calculated by dividing the solvency margin (net assets (less certain items), plus unrealized gains on assets, subordinated debt and other items) by a quantified measure of total risk. In Japan, insurance companies with solvency margin ratios of 200% or higher are generally considered sound and not requiring prompt corrective action. If the ratio falls below 200%, the Commissioner of the FSA may order the insurer to submit a plan for capital reinforcement. If it falls below 100%, the Commissioner may order measures including a suspension of shareholder and/or policyholder dividend payments and director compensation. If it falls below 0%, the Commissioner may suspend the insurer's operations. As of March 31, 2022, 2023 and 2024, *Rakuten Life Insurance*'s solvency margin ratio was 1,500.6%, 1,461.9% and 1,339.7%, respectively. As of March 31, 2022, 2023 and 2024, *Rakuten General Insurance*'s solvency margin ratio was 1,110.2%, 932.2% and 1,083.7%, respectively.

Risk Management

We conduct risk management activities from various perspectives. As part of our enterprise risk management initiatives, we conduct group-wide risk assessment of each business on a regular basis, and the results are reported to our management. In addition, accidents and incidents that may have an adverse effect on our business are immediately reported to our management to ensure adequate initial response and countermeasures. Separately, we have an Investment Committee that provides an opportunity to analyze and discuss risks with respect to acquisitions and/or new investments thoroughly before such transactions are brought before our board of directors.

In our FinTech segment, *Rakuten Bank*, *Rakuten Securities*, *Rakuten Life Insurance* and *Rakuten General Insurance* are required by regulators to establish an organizational risk management system focusing on various risks, including, but not limited to, the duration of investment securities, value at risk and sensitivity, etc., specific to the nature of their businesses. The risk management that our financial business companies carry out is conducted on an each-entity basis.

BUSINESS

Overview

We are one of Japan's leading Internet companies. Under the concept of "single brand, single membership," we seek to integrate our core businesses as part of our "Rakuten Ecosystem" business model through which Rakuten members can access a wide variety of our services with a single Rakuten ID and participate in a single loyalty program. See "—Our Business Operations—Membership and Incentive Programs."

Our *Rakuten Ichiba* e-commerce platform had a market share in Japan of 28.9% measured by e-commerce product sales in 2023 based on data compiled by FUJI KEIZAI CO., LTD. (we calculated this market share by dividing the GMS of *Rakuten Ichiba* by total e-commerce product sales in Japan in 2023 as reported by FUJI KEIZAI CO., LTD. in "Mail Order and e-Commerce Business 2024: Current Status and Future"). We are expanding overseas to establish several e-commerce platforms using a similar B2B2C marketplace model. We also offer e-books, e-book readers and online video-streaming and music-streaming services. We provide online financial services, including credit card, digital banking, online securities, life insurance, general insurance, electronic payments and crypto asset trading services. We launched full-scale commercial operations on the world's first end-to-end, fully virtualized, cloud-native mobile network in April 2020 and began offering high-speed 5G service in September 2020. In addition, in 2021, *Rakuten Symphony* commenced commercial services for our cloud-native platform which is designed to support the quick and efficient development of safe, open mobile networks for third-party telecommunications providers. As part of our marketing strategy to bring our Internet-based services to a wider segment of the Japanese population, we also operate a professional baseball team in Japan, the Tohoku Rakuten Golden Eagles, a professional soccer team in Japan, Vissel Kobe, and we also sponsor the Golden State Warriors, a leading team in the National Basketball Association, in order to boost our brand recognition around the globe. Global GTV for the Rakuten group, including transactions in our domestic and overseas e-commerce, *Rakuten Pay*, *Rakuten Card*, *Rakuten Point Card* (our universal point card for *Rakuten Points*), *Rakuten Rewards (Ebates)*, digital contents, *Rakuten Advertising* and *Rakuten Edy* businesses, reached ¥40.0 trillion for the year ended December 31, 2023.

We divide our operations into three segments:

- *Internet Services*: includes businesses running various e-commerce sites such as our primary online shopping platform, *Rakuten Ichiba*, online cash back sites, online travel and hotel booking sites, operation of digital content sites and our *Rakuten Viber* messaging service, along with businesses for sales of advertising on these sites and our businesses related to professional sports teams;

- *FinTech*: includes businesses engaged in providing financial services over the Internet such as credit cards, digital banking, online securities, life insurance, general insurance, electronic payments and crypto asset trading; and

- *Mobile*: includes businesses engaged in communication services, such as our MNO business (and also includes our MVNO business, which is no longer accepting new service activations). Our Mobile segment also includes our energy business and *Rakuten Symphony*.

As of December 31, 2023, we had 208 consolidated subsidiaries and 58 affiliates accounted for under the equity method. We have consistently grown our consolidated revenue since our establishment, recording revenue of ¥2,071,315 million for the year ended December 31, 2023.

History

Rakuten Group, Inc. was incorporated under the laws of Japan as MDM, Inc. in February 1997 and began operating *Rakuten Ichiba* in May of that year. *Rakuten Ichiba* began with only 13 merchants in its mall and has grown to have 55,832 merchants as of September 30, 2024. Since our IPO in 2000, we have made strategic acquisitions to leverage our strengths and enter into new markets across the Internet, including our travel and securities businesses in 2003, our marketing business in 2005, our banking and card businesses in 2009 and our payments business in 2010. In the 2010's we made various international and content services acquisitions, and in 2018 we received regulatory approval to begin construction on *Rakuten Mobile*'s MNO network, which came into operation in 2019 and commenced full-scale commercial operations in 2020. Since then, our communication business, centered around *Rakuten Mobile*, has become the latest core area of our business.

The following table shows a more detailed list of important events in our history and the development of our business operations:

Year	Month	Event
1997	Feb	MDM, Inc. was founded with ¥10 million in capital at 1-6-7, Atago, Minato-ku, Tokyo.
	May	*Rakuten Ichiba began operations.*
1999	Jun	MDM, Inc. changed its trade name to Rakuten, Inc.
2000	Apr	Rakuten, Inc. completed its IPO on JASDAQ (formerly, JASDAQ (standard) of the Tokyo Stock Exchange, currently the Prime Market of the Tokyo Stock Exchange).
2001	Mar	*Rakuten Travel was launched.*
2002	Nov	Rakuten Super Point (subsequently *Rakuten Point*) rewards program was launched.
2003	Sep	Mytrip Net Co. (subsequently Rakuten Travel, Inc.) became a wholly owned subsidiary of Rakuten, Inc. through a share acquisition and was subsequently merged into Rakuten, Inc.
	Nov	DLJdirect SFG Securities, Inc. (currently Rakuten Securities, Inc.) became a subsidiary of Rakuten, Inc. through a share acquisition.
2004	Oct	Rakuten Baseball, Inc. was founded.
	Nov	Nippon Professional Baseball Organization approved the new entry of the Tohoku Rakuten Golden Eagles.
	Dec	The shares of Rakuten, Inc. were listed on Jasdaq Securities Exchange, Inc. (formerly, JASDAQ (standard) of the Tokyo Stock Exchange, currently the Prime Market of the Tokyo Stock Exchange).
2005	Jun	Kokunai Shinpan Co., Ltd (subsequently Rakuten KC Co., Ltd.) became a subsidiary of Rakuten, Inc.
	Sep	Rakuten group acquired 100% of the shares of LinkShare Corporation (currently Rakuten MARKETING LLC), which became a wholly owned subsidiary of Rakuten, Inc. through Rakuten USA, Inc.
2007	Aug	FUSION COMMUNICATIONS CORPORATION (currently Rakuten Communications Corp.), the IP phone business operator, became a subsidiary of Rakuten, Inc. (and is currently a subsidiary of Rakuten Mobile, Inc.).
2009	Feb	The preferred shares of eBANK Corporation (currently Rakuten Bank, Ltd.) were converted to ordinary shares and eBANK Corporation became a subsidiary of Rakuten, Inc. (and is currently a subsidiary of Rakuten Card Co., Ltd.).
2010	Jan	bitWallet, Inc. (currently Rakuten Edy, Inc.) became a subsidiary of Rakuten, Inc. (and is currently a subsidiary of Rakuten Payment, Inc.).
	Jul	PRICEMINISTER S.A. (currently Rakuten FRANCE S.A.S.), an e-commerce website operator in France, became a wholly owned subsidiary of Rakuten, Inc. through Rakuten Europe S.a.r.l.
2011	Aug	The *Rakuten Card* related businesses operated by Rakuten KC Co., Ltd. were succeeded by a way of absorption-type company split to Rakuten Credit, Inc. (currently Rakuten Card Co., Ltd.) and subsequently the shares of Rakuten KC Co., Ltd. were sold.
2012	Jan	Rakuten group acquired 100% of the shares of Kobo Inc. (currently Rakuten Kobo Inc.), a Canada-based global e-reading service company.
	May	Rakuten, Inc. subscribed for new shares of Kenko.com. Inc. through a third-party allotment, and Kenko.com. Inc. became a subsidiary of Rakuten, Inc.
	Jun	Rakuten group acquired 100% of the shares of Wuaki.TV, S.L. (currently Rakuten TV Europe, S.L.U.), a provider of on-demand video services in Spain.
	Oct	Additional shares of AIRIO LIFE Insurance Co., Ltd. (currently Rakuten Life Insurance Co., Ltd.), an equity-method affiliate, were acquired and it became a subsidiary of Rakuten, Inc. (and is currently a subsidiary of Rakuten Card Co., Ltd.).
2013	Sep	Rakuten group acquired 100% of the shares of VIKI, Inc., a global provider of on-demand video services.
	Nov	The Tohoku Rakuten Golden Eagles won the Japan Pro Baseball championship series for the first time.
	Dec	Rakuten, Inc. changed the listing of its shares to the First Section of the Tokyo Stock Exchange.
2014	Mar	Rakuten group acquired 100% of the shares of VIBER MEDIA LTD. (currently Viber Media S.a.r.l.), a global mobile messaging and VoIP company.
	Oct	Rakuten group acquired 100% of the shares of Ebates Inc., the provider of *Ebates*, a leading membership-based online cash back site in the United States (currently operating as *Rakuten Rewards*).
2015	Mar	Rakuten group acquired 11.9% of the shares of Lyft, Inc., a transportation network company and developer of smartphone applications offering peer-to-peer ridesharing services.
	Apr	Rakuten group acquired 100% of the shares of OverDrive Holdings, Inc., a leading distributor of digital content including e-books, audiobooks, music and video to libraries.
	Aug	Head office is transferred to 1-14-1 Tamagawa, Setagaya-ku Tokyo.
2017	Jun	Rakuten, Inc. establishes Rakuten LIFULL STAY, Inc. (currently Rakuten STAY, Inc.) and enters the vacation rental business.
	Jul	Kenko.com, Inc. and Soukai Drug Co., Ltd. merge to become Rakuten Direct, Inc. (which was merged into Rakuten, Inc. as part of the corporate reorganization implemented on April 1, 2019).

Year	Month	Event
	Jul	Rakuten, Inc. establishes Rakuten Data Marketing, Inc., or *Rakuten Data Marketing*, to provide digital marketing solutions.
2018	Mar	Rakuten, Inc. consolidates Asahi Fire & Marine Insurance Co., Ltd. (currently Rakuten General Insurance Co., Ltd.) as a subsidiary (and *Rakuten General Insurance* is currently a subsidiary of Rakuten Card Co., Ltd.).
	Apr	Rakuten Mobile Network, Inc. (currently Rakuten Mobile, Inc.) receives approval from the Minister for Internal Affairs and Communications for its plan to set up specified physical base stations (1.7 GHz band allocation) for its 4th generation (4G) mobile communications network.
2019	Mar	Rebranded *Rakuten Aspyrian* to *Rakuten Medical* to focus on global biotechnology opportunities.
	Apr	*Rakuten Mobile* receives approval from the Minister for Internal Affairs and Communications for its plan to set up specified physical base stations (3.7 GHz and 28 GHz band allocations) for its 5th generation (5G) mobile communications network.
	Oct	*Rakuten Mobile* launches its MNO network with small-scale services through a free supporter program.
2020	Apr	*Rakuten Mobile* commences the commercial launch of its MNO network with "Rakuten UN-LIMIT 2.0," a full-scale mobile carrier service providing unlimited usage for ¥2,980 per month.
	Jun	Rakuten group completed the sale of 100% of the shares of OverDrive Holdings, Inc. to Aragorn Parent Corporation.
	Sep	*Rakuten Mobile* launches 5G service on its MNO network with "Rakuten UN-LIMIT V," which includes 5G service for compatible devices for the same ¥2,980 monthly fee as UN-LIMIT 2.0.
2021	Mar	Rakuten DX Solution acquired 20% of the shares of SY Holdings Co., Ltd. (currently Seiyu Holdings Co., Ltd.), a group that operates supermarkets, shopping centers and department stores in Japan.
	Apr	Rakuten, Inc. changed its trade name to Rakuten Group, Inc.
	Apr	*Rakuten Mobile* begins offering "Rakuten UN-LIMIT VI" plan which includes flexible pricing tiers for different levels of data usage.
	Aug	*Rakuten Symphony*, which will partner with Altiostar to accelerate deployment of software-centric virtualized services for the mobile industry across the globe, was founded.
	Aug	*Rakuten Symphony* entered into a long-term partnership with German mobile operator 1&1 to build Europe's first virtualized mobile network based on innovative Open RAN technology.
	Sep	Resolution to commence preparations for the listing of shares of *Rakuten Bank*.
2022	Feb	*Rakuten Symphony* agreed to acquire Robin.io, a leading U.S.-based cloud technology company.
	Apr	Due to the reorganization of the Tokyo Stock Exchange, our shares were transferred from the First Section to the Prime Market of the Tokyo Stock Exchange.
	Apr	*Rakuten Card* transferred the shares of common stock of *Rakuten Bank* to us through the payment of dividends in kind, making us the parent company of *Rakuten Bank*.
	May	*Rakuten Mobile* announced "Rakuten UN-LIMIT VII" plan which includes flexible pricing tiers for different levels of data usage.
	May	Resolution to commence preparations for the listing of the shares of *Rakuten Securities*.
	Jul	*Rakuten Bank* applied for listing of its shares on the Tokyo Stock Exchange.
	Oct	*Rakuten Securities Holdings* was established through a joint stock transfer by *Rakuten Securities* and Rakuten Investment Management, Inc., and *Rakuten Securities Holdings* became the parent company of *Rakuten Securities*. *Rakuten Securities Holdings*, rather than *Rakuten Securities*, will be the entity seeking to list its shares.
	Nov	*Rakuten Securities Holdings* transferred 19.99% of shares of common stock of *Rakuten Securities* to Mizuho Securities.
2023	Apr	*Rakuten Bank* completed its IPO on the Prime Market of the Tokyo Stock Exchange.
	May	*Rakuten Mobile* announced the "SAIKYO" plan, including, among other things, unlimited high-speed roaming on KDDI's network in applicable locations, which commenced in June 2023.
	Jul	*Rakuten Securities Holdings* filed a listing application with the Tokyo Stock Exchange.
	Oct	*Rakuten Mobile* received approval from the MIC for its special base station deployment plan for the 700 MHz "platinum band" frequency spectrum.
	Nov	*Rakuten Pay* (online payments) business and *Rakuten Points* (online) business underwent a company split, with *Rakuten Payment* as the successor company, and all shares of *Rakuten Payment* held by Rakuten Group, Inc. were transferred to *Rakuten Card*.
		Rakuten Securities Holdings withdrew its listing application with the Tokyo Stock Exchange.
		Rakuten Group, Inc. selected OpenAI as a strategic partner in delivering state-of-the-art artificial intelligence (AI) experiences to consumers and businesses.

Year	Month	Event
	Dec	*Rakuten Securities Holdings* transferred approximately 29.01% of the shares of *Rakuten Securities* to Mizuho Securities to strengthen the strategic capital and business alliance, reducing *Rakuten Securities Holdings*' shareholding ratio in *Rakuten Securities* to approximately 51%.
		Rakuten Group, Inc. sold additional shares of *Rakuten Bank*, decreasing its holdings to 49.27%
		Rakuten Symphony assisted in 1&1's launching of Europe's first fully virtualized 5G Open RAN mobile network that uses cloud-native core network provided by Mavenir System, Inc., providing end-to-end integration of the new network.
2024	Jan	Rakuten Group announced that it has decided to transfer the rights and obligations of its Rakuten Min-Shu employment information community site business to a newly established wholly-owned subsidiary and to transfer all shares of such subsidiary to PORT INC. on April 1, 2024.
	Feb	*Rakuten Symphony* launched file storage cloud service "Rakuten Drive" in Japan
		Rakuten Mobile announced the "SAIKYO Family Program", which provides ¥100 per month family discount from the SAIKYO plan.
		Rakuten Group, Inc. and OpenAI partner to deliver cutting-edge AI tools tailored to the telecommunication industry.
		Rakuten Symphony launched "Real Open RAN Licensing Program".
	Mar	*Point Rakuten Stocks* service was launched.
		Rakuten Mobile began offering the "SAIKYO Seishun Program," which provides 110 *Rakuten Points* per month to the SAIKYO plan subscribers who are 22 years old or younger.
	Apr	Rakuten Group and *Rakuten Bank* announced their decision to initiate discussions for the potential reorganization of certain of our FinTech businesses, and the signing of a memorandum of understanding regarding the same.
		Rakuten Securities began operating the business of MiRaI Wealth Partners K.K., a joint venture with Mizuho Securities.
	May	*Rakuten Mobile* began offering the "SAIKYO KIDS Program" for children under 13 at ¥528 (tax included) per month if data usage is below 3 GB.
		Rakuten Group announced that it has signed a Memorandum of Understanding with the Department of International Trade Promotion in Thailand's Ministry of Commerce for the promotion of Thai products.
		Rakuten Group announced that it has formulated the Sustainability Finance Framework to further promote initiatives aimed at solving social issues as well as the realization of a decarbonized society.
		Rakuten Securities Holdings announced its investment in Nakano Asset Management Co. Ltd., an asset management company based in Tokyo.
		Rakuten Securities formed a business alliance with Hirogin Life Partners K.K., a new financial services subsidiary of Hirogin Holdings, Inc.
	Jun	*Rakuten Mobile* launches commercial services using 700 MHz "platinum band" spectrum.
		Rakuten Securities Holdings announced its investment in Japan Alternative Market K.K., which is a newly established company that plans to offer PTS in Japan.
	Aug	*Rakuten Mobile* raised between ¥170 billion in funds for the sale and leaseback of a portion of its mobile network assets with a consortium of global leading infrastructure investors, led by Macquarie Asset Management and including British Columbia Investment Management Corporation, via the Macquarie Asia-Pacific Infrastructure Fund 3.
		Rakuten Mobile began offering the "SAIKYO Senior Program," which provides 110 *Rakuten Points* per month to the SAIKYO plan subscribers who are 65 years old and above.
	Sep	Rakuten Group and *Rakuten Bank* announced their decision to cancel the potential reorganization of certain of our FinTech businesses.
		Rakuten Group announced that *Rakuten Card* and Mizuho Financial Group, Inc. have agreed to consider new strategic capital and business alliance.
		Rakuten Mobile launches "Rakuten Link AI", a free AI chat service in the *Rakuten Link* app for Rakuten SAIKYO Plan subscribers.
	Nov	Rakuten Group, Inc., Rakuten Card Co., Ltd., Mizuho Financial Group, Inc., Mizuho Bank, Ltd., UC Card Co., Ltd. and Orient Corporation announced the formation of a business alliance that aims to transform Japan's digital payment landscape.
	Dec	Rakuten Group sold 14.99% of the outstanding shares of *Rakuten Card* for a purchase price of ¥164,997 million to Mizuho Financial Group.

Our Strengths

Our unique Rakuten Ecosystem provides our loyal membership base with access to a wide range of interconnected services

The Rakuten Ecosystem provides our users with one-stop access to a wide range of interconnected services, including e-commerce services, FinTech services, digital content and communications services, through an integrated platform. The following diagram illustrates the Rakuten Ecosystem, which encourages users joining through a particular service to take advantage of our other services and to benefit from their interconnected functionality:



The distinctive Rakuten Ecosystem allows users to experience our services through a single Rakuten ID and benefit from the Rakuten Point rewards program

Worldwide, the Rakuten Ecosystem had a membership of 2.0 billion as of September 30, 2024, which is the sum of members of Rakuten (Japan) and overseas e-commerce (including *Rakuten Rewards*, *Rakuten Kobo*, *Rakuten Viki*, *Rakuten TV* and *Rakuten Viber*); some users have multiple memberships across services. Within Japan, we had more than 42.7 million monthly active users (calculated as the number of Rakuten members who received at least one *Rakuten Point* during the month), as of September 30, 2024.

Within Japan, our members can access many of our services using a single Rakuten ID and benefit from frequent use of our services through our *Rakuten Point* rewards program. The Rakuten Ecosystem is distinctive in terms of the breadth of services that it offers, and the attractiveness of the *Rakuten Point* rewards program we provide to our members promotes user engagement and loyalty. By encouraging our users to discover our other services, we are able to increase adoption and cross-use between our various services across our Internet Services, FinTech and Mobile segments. The ability to use *Rakuten Points* across many of our services also enables us to use innovative marketing methods to cross-promote other Rakuten services to our users. According to a survey conducted by MMD Labo between January 19, 2024 and January 22, 2024, out of a sample size of 2,500 respondents, *Rakuten Points* is the most recognized point ecosystem in Japan.

Because *Rakuten Points*, our primary group-wide reward program, can be earned and redeemed through most of the services offered in the Rakuten Ecosystem, including *Rakuten Ichiba* and *Rakuten Card*, our users have a strong incentive to use our other services. As of September 30, 2024, our cross-use ratio reached 76.6%. Our cross-use ratio is defined as the ratio of the number of Rakuten members in Japan who have utilized two or more Rakuten services eligible to earn *Rakuten Points* during the past twelve months to the number of all

members that utilized any such service during the last month of that period. We believe that Rakuten Ecosystem sets us apart particularly at *Rakuten Mobile*.

We have accumulated rich and diverse user data through our services

The wide-ranging services provided in the Rakuten Ecosystem allow us to collect e-commerce data as well as financial and communications-related data in compliance with applicable laws and regulations, enabling us to analyze and respond effectively to the needs of our users. Because this data is tied to a unified Rakuten ID across our services, we are able to conduct comprehensive data analysis which can be used as a foundation for innovative marketing strategies. As consumers continue to demand personalized solutions to their diverse needs, we expect that further developments in the usage of big data and artificial intelligence will enable us to better tailor our services to individual consumers, making our ecosystem even more attractive.

With a leading position in Japan's e-commerce market, Rakuten Ichiba is well-positioned to capture further growth

Japan's e-commerce industry grew at a CAGR of 9.4% from the year ended December 31, 2018 to the year ended December 31, 2023, according to FUJI KEIZAI CO., LTD., and sales from *Rakuten Ichiba* constitute a significant portion of our GMS. Since the start of the COVID-19 pandemic, interest in e-commerce in Japan has increased due to changes in consumer behavior resulting from "stay-at-home" policies and health concerns, leading to significantly accelerated growth, with total GMS for our domestic e-commerce businesses growing 10.4% in the year ended December 31, 2021 compared to the previous year, surpassing ¥5 trillion for the first time in the year ended December 31, 2021 and growing further to ¥5.6 trillion in the year ended December 31, 2022 before surpassing ¥6 trillion for the first time in the year ended December 31, 2023. However, Japan's e-commerce penetration rate of 14% is still relatively low compared to the world average (19%), China (48%) and South Korea (25%) (according to a report issued by METI in 2024), and we believe Japan's e-commerce industry will continue to grow. We have implemented an internal portfolio management system in our domestic e-commerce businesses, divided into "core" and "growth investment" businesses. Our core businesses, including *Rakuten Ichiba*, *Rakuten Travel*, *Rakuten Bic*, *Rakuten Rebates* and *Rakuten GORA*, are those which we believe have achieved structural profitability, yielding returns over their respective weighted average cost of capital and which we consider essential to our domestic e-commerce business portfolio even if they may provide lower returns. On the other hand, growth investment businesses, including *Rakuten Mart (formerly Rakuten Seiyu Netsuper)*, *Rakuten Super Logistics*, *Rakuten Beauty*, *Rakuten Rakuma, Rakuten Ticket* and *Rakuten Fashion*, are those currently in the investment phase and for which we seek to achieve positive value in the future. By instituting a portfolio management system, we seek to increase accountability for these growth businesses.

Our FinTech businesses have maintained stable revenue, profit and user growth, leading our cross-use promotion strategies, and our internal restructuring in 2023 positions the segment to drive further growth

Our FinTech segment consists of a diverse portfolio of financial services with stable revenue and profit growth. Revenue for our FinTech segment grew from ¥486,372 million for the year ended December 31, 2019 to ¥651,944 million for the year ended December 31, 2022, ¥725,165 million for the year ended December 31, 2023 and to ¥604,383 million for the nine-month period ended September 30, 2024, and segment profit increased from ¥69,306 million for the year ended December 31, 2019 to ¥89,840 million for the year ended December 31, 2022, ¥122,915 million for the year ended December 31, 2023 and to ¥125,323 million before considering Mobile Ecosystem Contribution (or ¥114,705 million after considering Mobile Ecosystem Contribution) for the nine-month period ended September 30, 2024. Our FinTech businesses are centered on *Rakuten Card*. We offer users *Rakuten Point* rewards for use of their *Rakuten Cards* for payments made in respect of other services, including:

- *Rakuten Bank*: direct debits of *Rakuten Card* balances;
- *Rakuten Securities*: settlement of regular contributions to investment trusts using *Rakuten Card*;
- *Rakuten Life Insurance* and *Rakuten General Insurance*: payment of insurance premiums using *Rakuten Card*;
- *Rakuten Payment*: payments and charging of balances using *Rakuten Card*;
- *Rakuten Ichiba*: shopping using *Rakuten Card*; and
- *Rakuten Mobile*: payment of subscriber fees and device installment payments using *Rakuten Card*.

We also seek to promote cross-use through other programs in our FinTech segment, such as *Money Bridge*, which links *Rakuten Bank* and *Rakuten Securities* accounts and provides benefits such as preferential interest rates on bank account balances and enabling the use of bank account funds to automatically cover shortages of funds for securities purchase orders. As of September 30, 2024, the number of accounts that use *Money Bridge* surpassed 5.3 million, and their combined deposit balance surpassed ¥6 trillion as of the end of October 2024. These strategies have led to continuous growth in membership and transaction volume for our FinTech businesses. The number of *Rakuten Cards* (including second cards issued to the same cardholder) grew by 7.1% between December 31, 2022 and December 31, 2023, to 30.1 million cards, and further surpassed 31 million at the end of September 2024, while shopping GTV grew by 16.4% when comparing the year ended December 31, 2023 to the previous year, reaching ¥21.1 trillion as of December 31, 2023 and was ¥17.5 trillion as of September 30, 2024. Also between December 31, 2022 and December 31, 2023, the number of *Rakuten Bank* accounts grew by 10.2% to 14.76 million, and then reached 16.2 million accounts as of September 30, 2024, while the number of *Rakuten Securities* general accounts grew by 18.1% to 10.2 million between the same period, before reaching 11.7 million accounts as of September 30, 2024.

Effective on November 1, 2023, we completed the internal restructuring of our FinTech segment, whereby the *Rakuten Pay* (online payments) business and *Rakuten Points* (online) business, which were included in the Internet Services segment, were transferred to our consolidated subsidiary, *Rakuten Payment,* via a company split. In addition, with an effective date of November 1, 2023, all shares of *Rakuten Payment* held by *Rakuten* Group, Inc. (95.28% of the total number of issued shares of *Rakuten Payment*) were transferred to *Rakuten Card*. By placing *Rakuten Pay* and these businesses under the umbrella of *Rakuten Card*, our main payments subsidiary, in the Fintech segment, we are seeking to increase synergies within the FinTech segment and to improve the transparency of the segment overall, helping our growth strategies to succeed and contributing to our overall corporate value. In particular, we believe that the payment business, which has multiple touchpoints with customers, is extremely significant in attracting customers to the *Rakuten* Ecosystem and incentivizing them to use its various services. By consolidating the online payments and points business into *Rakuten Payment* and in turn placing *Rakuten Payment* under the umbrella of *Rakuten Card*, which is among Japan's largest credit card issuers by gross shopping transaction value and by customer base in 2022, we believe that we have established an integrated business structure with the ability to recognize further synergies within the Rakuten Group and that will help lead to the expansion of our customer base and the strengthening of our ability to implement our growth strategies, which in turn will contribute to the enhancement of our corporate value. In addition, by further strengthening the cooperative framework between *Rakuten Card* and *Rakuten Payment*, we expect that *Rakuten Card* will drive our integrated payments business. *Rakuten Card* also flexibly considers forming strategic partnerships with third parties and raising its own capital as necessary. On September 30, 2024, we announced that *Rakuten Card* and Mizuho Financial Group, Inc. agreed to consider a new strategic capital and business alliance. Further to this announcement, Rakuten Group and Mizuho Financial Group concluded a share sale agreement on November 13, 2024, pursuant to which Mizuho Financial Group agreed to purchase 14.99% of the outstanding shares of *Rakuten Card* for a purchase price of ¥164,997 million, as well as a related shareholder agreement in respect of the shares of *Rakuten Card*. This purchase was completed on December 1, 2024. See "—Our Business Operations—FinTech Segment—Credit Card Business—Strategic Capital and Business Alliance Between *Rakuten Card* and Mizuho Financial Group, Inc. and Business Alliance Among Rakuten Group, *Rakuten Card*, Mizuho Financial Group, Mizuho Bank, UC Card and Orient Corporation." Moreover, on November 13, 2024, Rakuten Group, Inc., Rakuten Card Co., Ltd., Mizuho Financial Group, Inc., Mizuho Bank, Ltd., UC Card Co., Ltd. and Orient Corporation announced the formation of a business alliance that aims to transform Japan's digital payment landscape.

Our Mobile businesses provide innovating services centered on fully virtualized mobile network technology, and Rakuten Mobile has grown into a significant driver of value in our ecosystem

With its low spectrum costs compared to other countries, we believe the Japanese mobile telecommunications market presents a compelling opportunity for MNO operators, as shown by the historical development and profit of our competitor MNOs. We launched full scale commercial service on *Rakuten Mobile*'s MNO network in April 2020 with the goal of democratizing the Japanese mobile telecommunications market. Based on our core mobile network technological capabilities, including virtualization, automation, and O-RAN technology, we aim to provide the high-capacity, low-cost and high-quality services that we will be key to the 5G and IoT era, helping to realize a society where smartphone access is universal. Despite starting from zero, we have made rapid progress in developing and deploying physical base stations. While our initial development plan submitted to the Japanese regulatory authorities targeted 96% population coverage for our 4G network by March 31, 2026, we have taken significant initiatives to accelerate this, achieving our goal four years ahead of schedule and further achieving 99.9% population coverage for 4G network in September 2023 (with the

additional KDDI base stations available to our users; population coverage is calculated based on areas where communication is available in 50% or more of the locations in approximately 500 square meter plots used for the census, rather than overall coverage of land area). Due to the fully virtualized nature of our network, we believe that we are able to operate with significantly lower operating expenses and ongoing capital investments compared to traditional MNO networks, including for the roll-out of additional spectrum, such as the 700 MHz spectrum allotted to us in October 2023. This is because, unlike an ordinary network composed of specialized equipment and software, *Rakuten Mobile* is able to virtualize necessary functions by isolating software on the cloud housed using all-purpose servers. Because a cloud network with isolated software and hardware does not rely on any specialized equipment and can be maintained remotely and more efficiently, this reduces the amount of necessary capital investment as well as operation costs. This cost structure allows us to keep our costs down and maintain attractive subscriber fees, as exemplified by our SAIKYO (meaning "strongest" in Japanese) plan introduced in June 2023, including flexible pricing tiers for different levels of data usage, while offering high data capacity, high network quality and high speeds. We saw significant net growth in subscriber numbers in 2023, growing from 4.46 million MNO subscribers as of December 31, 2022 to 5.90 million MNO subscribers as of December 31, 2023 (in each case excluding BCP and MVNE subscribers), and surpassing 6 million MNO subscribers (including 130 thousand BCP subscribers) in December 2023. Moreover, with the termination of zero-fee data usage tiers and with point back promotions ending in October 2022, all subscribers are now paying users. Under the SAIKYO plan, 4G high-speed roaming on KDDI's network in applicable locations is unlimited (as compared to the previous limit of 5 GB per month, with additional high-speed roaming available for a charge of ¥600 (excluding tax)), and voice calls using *Rakuten Link* are unlimited, including on KDDI's network. In addition, subscribers are able to make unlimited voice calls using *Rakuten Link* while overseas, and can use up to 2 GB of high-speed roaming in certain countries. As a result of these developments, total MNO subscribers (including both B2C and B2B subscribers, but excluding BCP and MVNE subscribers) reached 4.77 million as of June 30, 2023 before growing further to 5.90 million as of December 31, 2023, and further still to 7.41 million as of November 10, 2024. Including approximately 130 thousand BCP lines provided to enterprise customers, the number of subscribers surpassed 6 million for the first time on December 26, 2023. Since then, total number of MNO subscribers (including MVNO and MVNE, but excluding BCP subscribers) surpassed 7 million for the first time on June 16, 2024. On October 18, 2024, the total number of subscribers (including MVNO, MVNE and BCP subscribers) surpassed 8 million, and on November 10, 2024, the number reached 8.12 million.

The roll-out of this business has made *Rakuten Mobile* a significant driver of value in the Rakuten Ecosystem, contributing to further growth in cross-use of our services among subscribers. Among users who signed up for a *Rakuten Mobile* contract (MNO B2C) between March 2020 and October 2023 (the "relevant month") and had an active account between October 2023 and September 2024, and whose purchasing trends over the preceding year from the relevant month are similar to those of non-subscribers, total *Rakuten Ichiba* GMS of *Rakuten Mobile* subscribers was 47.9% higher compared to non-subscribers (non-subscribers are users who have used any Rakuten service other than *Rakuten Mobile* (limited to MNO B2C subscribers) in the year preceding September 2024, and whose purchasing trends over the preceding year from the relevant month are similar to those of subscribers. Among the same set of users, *Rakuten Travel* GTV was 13.5% higher for subscribers as compared to non-subscribers, and *Rakuten Card* GTV was 26.8% higher for subscribers as compared to non-subscribers. Users who had a *Rakuten Mobile* contract (MNO B2C) from March 2020 to October 2022 used, on average, an additional 2.45 of our services (limited to services eligible for earning *Rakuten Points* and including their *Rakuten Mobile* contracts) in a month after two years since signing a *Rakuten Mobile* contract. During the three-month period ended September 30, 2024, when comparing the average revenue Rakuten Ecosystem received from *Rakuten Mobile* subscribers versus non-subscribers, subscribers were the source of an additional average monthly revenue per user of ¥762 and, if limited to those who have been *Rakuten Mobile* subscribers over one year, ¥905 (counting the relevant revenue at the specified businesses for which Mobile Ecosystem Contribution is calculated; see "Presentation of Financial and Other Information—Note Regarding Comparability of Financial Information—Segment Reorganizations—2024 Changes in Measurement Methods of Segment Revenue and Segment Profit (Loss)".)

Our Strategies

Significantly expand the Rakuten Ecosystem by further developing our Mobile business

The importance of mobile devices, particularly smartphones, in daily life has increased significantly, becoming all but indispensable to individuals and businesses. We believe that our business model of providing a variety of services centered around the Internet and technology means that operating our own mobile network is of vital importance on many levels. In particular, our mobile network is an important touchpoint for new and existing users that has the potential to become a gateway for them to use an increasingly broad range of our

services. Given the effect of Mobile Ecosystem Contribution and increased cross-use by *Rakuten Mobile* subscribers compared to non-subscribers, we view *Rakuten Mobile* as a significant priority and believe that it has the potential to allow us to achieve significant growth. We aim to continue to increase cross-usage through the creation of additional synergies among our businesses and to increase user loyalty to the Rakuten Ecosystem centered on expansions of *Rakuten Mobile*. We believe this will allow us to achieve additional growth in our Internet Services and FinTech segments as well by leveraging the accelerated expansion of the Rakuten Ecosystem and our strong customer base.

Achieve the ability to self-fund through significant improvements in our Mobile Segment backed by achieving structural profitability in our Mobile business as well as growth in our Internet Services and FinTech Segments

Targeting "Self-Funding"

We have funded *Rakuten Mobile*'s capital expenditures and operating expenditures to date through a combination of equity and loan funding from Rakuten Group, Inc. and through lease financings, securitizations, sale and leaseback transactions and other initiatives at *Rakuten Mobile*. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Recent Developments—Capital Raise Through Sale and Leaseback of *Rakuten Mobile*'s Mobile Network Assets." Rakuten Group, Inc., in turn, has funded its equity in and loans to *Rakuten Mobile* through a diverse array of sources, including bank loans and the issuance of debt and equity securities in the capital markets, free cash flows from our Internet Services segment and monetizations of assets and businesses. Rakuten Group, Inc. has also used the significant cash flows available to it from businesses in our FinTech segment. These businesses, which are generally regulated entities and independently funded, provide funds through dividends and the payment of management fees or (in the case of listed or to-be-listed entities) "core asset" usage fees, as do other of our subsidiaries. Because of the significant funding requirements of *Rakuten Mobile*, bank loans and funding from the capital markets have been critical in recent years. Moving forward, however, we seek to decrease funding needs for *Rakuten Mobile*, continue to grow free cash flows from our Internet Services segment and grow cash from our FinTech subsidiaries in the form of dividends and management and "core asset" fees. Combined with, to the extent necessary, monetization of assets and businesses, we seek to establish "self-funding," whereby we are able to meet funding needs for *Rakuten Mobile's* capital expenditures, operating cash flows and interest expense (consisting of interest expense and cash for lease expenses under IFRS 16 at entities outside of our FinTech segment) through free cash flows from our Internet Services segment, cash received from our FinTech subsidiaries and the proceeds of securitizations and lease transactions as well as the sale and leaseback transaction at *Rakuten Mobile*, in 2024 and beyond, rather than through bank financing or by accessing debt capital markets. In the third quarter of 2024, we achieved our self-funding goal on a quarterly basis, and we plan to make further efforts to meet our self-funding target consistently in the future.

Achieve structural profitability in the Mobile business

In the short period of time since launching full-scale commercial services, we believe that we have successfully established the business foundation of our Mobile business, which we call phase one. In phase two beginning in 2023, we have sought to establish lean management in this business by improving our user experience through our roaming arrangement with KDDI and now with the commencement of the roll-out of 700 MHz "platinum band" spectrum, and by increasing our subscriber base through the acquisition of new subscribers as well as by decreasing churn, growing ARPU, maintaining reduced capital expenditures and costs and continuing to develop our network. Lastly, in phase three, to commence from 2024 and onwards, we will strive to achieve profitability in this business in the coming years and move towards becoming one of Japan's leading mobile carriers in the long term.

In the current phase of our Mobile strategy (i.e., phase three), we have developed a concrete business plan to establish a structure that we anticipate will lead to profitability and the self-funding of our operations. On May 11, 2023, we and KDDI announced that we had agreed to enter into a new roaming arrangement making selected KDDI base stations in urban areas in Tokyo, Osaka and Nagoya which were previously not subject to our roaming arrangement available for our subscribers, in addition to certain urban indoor areas (including subways, underground areas, tunnels and indoor facilities) and rural areas. While the implementation of the roaming agreement with KDDI was completed by March 2024, we continue to work on the necessary updates to our network and resolution of technical issues required to fully realize the anticipated benefits by the users, including the seamless switching between KDDI's base stations and ours. The roaming arrangement will remain in effect until September 2026, with extensions to be decided upon consultation between us and KDDI.

In June 2023, we commenced our SAIKYO plan, allowing for unlimited high speed roaming on KDDI's network in applicable locations. Unlimited usage commenced in June 2023; in urban areas, we and KDDI continue to make adjustments to the applicable base stations and technical improvements to the switching arrangements. We believe this has allowed and will increasingly allow our subscribers to experience significant improvements in user experience resulting from our arrangement with KDDI even before we complete improvements to our own network, including the roll-out of the recently allocated "platinum band" spectrum. See "—Our Business Operations—Mobile Segment—Telecommunications Business—Our Products and Services." By improving user experience with the roaming arrangement and the SAIKYO plan, we are seeking to directly address the main reasons given by the cancelling subscribers and to maintain low churn rates and increase our subscriber numbers, while alleviating the extent of immediate significant additional capital expenditures required for the construction of physical base stations. Since introducing the SAIKYO plan, we have seen an increase in MNO subscribers, which grew from 4.56 million as of March 31, 2023 to 5.90 million as of December 31, 2023 and then to 7.41 million as of November 10, 2024 (in each case excluding BCP and MVNE). Excluding BCP lines provided to enterprise customers, total MNO subscribers surpassed 7 million for the first time on June 16, 2024. On October 18, 2024, the total number of subscribers (including MVNO, MVNE and BCP subscribers) surpassed 8 million, and on November 10, 2024, the number reached 8.12 million. We have also seen additional declines in churn, which reached 1.68% on a quarterly basis in the third quarter of 2024, or 1.09% when adjusting for churn within the same month as initial subscription (for example, consumer subscribers may use *Rakuten Mobile* to switch back to another carrier in order to receive that carrier's MNP bonus) and cancellations due to contract reviews and reevaluation of transactions with some agents for B2B.

At the same time, we continue to seek improved network performance. In particular, on October 23, 2023, we received approval from the MIC for our special base station deployment plan for the expansion of mobile communications systems, including an allotment of spectrum, in the 700 MHz frequency spectrum, also known as the "platinum band." Based on this approval, we launched commercial services using the 700 MHz band in June 2024 and plan to continue expanding platinum band services using *Rakuten Mobile*'s network of base stations in order to provide even higher-quality mobile service to customers as well as to reduce our reliance on our relationship with KDDI and roaming fees paid to it without harming our ability to maintain and grow our subscriber base. See "—Our Business Operations—Mobile Segment—Telecommunications Business—Our Products and Services." In particular, in light of the bandwidth allocated to us (3 MHz within the 700 MHz band), we are seeking to use this additional spectrum (together with roaming on KDDI's platinum band spectrum in applicable locations) to address coverage holes particularly in indoor locations in urban areas as opposed to widespread use in densely populated areas. By managing base station selection, design and implementation, we are seeking to achieve targeted coverage improvements, particularly increased penetration in and around buildings, while preventing capacity issues.

We believe that the benefits of the roaming arrangement and the SAIKYO plan will allow us to decrease the amount of capital expenditures we expect to make for *Rakuten Mobile* through 2025 by nearly ¥300 billion in the three years ending December 31, 2025 compared to our previous plans, which called for a total of ¥570 billion during the same period, significantly reducing our need for new funding. The total capital expenditures for 2023 was ¥177.6 billion, which was below our previously expected level of ¥200 billion. Our network-related capital expenditures in *Rakuten Mobile* (which excludes right of use assets and specified base station establishment fees) totaled ¥64.8 billion in the nine-month period ended September 30, 2024, and we expect the total for 2024 to be below ¥100 billion. We expect a similar amount of capital investments in 2025, which will be primarily focused on 5G network infrastructure. These planned capital expenditure figures contain a portion of the additional capital expenditures that will be required to continue to expand our services on the 700 MHz "platinum band" spectrum allotted to us in October 2023 attributable to 2024 and 2025. Overall, we estimate that cumulative capital expenditures associated with rolling out services on such 700 MHz spectrum will total approximately ¥54.4 billion through 2033, and such capital expenditures are expected to be back-end loaded in the 10-year period. In addition, we expect to record additional capital expenditures of approximately ¥0.9 billion per year through 2033 for base station openings related to the allocation of such 700 MHz spectrum. In terms of operating expenses, pursuant to the terms of the roaming agreement with KDDI, roaming fees have gradually begun to decrease since the fourth quarter of the fiscal year ended December 31, 2023. In December 2023, we achieved a reduction of ¥16 billion in overall network costs (other than depreciation) and selling, general and administrative expenses on a monthly basis as compared to the highest level in the year ended December 31, 2022, surpassing our original goals of a ¥15 billion decrease.

Based on the anticipated effect of the increases in subscribers and maintenance of decreased levels of churn that we are targeting through ongoing improvements in user experience and overall decreases in network costs, combined with our other strategies to increase ARPU and maintain reduced costs at *Rakuten Mobile*, we

believe that the roaming arrangement, the roll-out of 700MHz "platinum band" and the SAIKYO plan present a path towards making this business profitable. In recent quarters, improvements at *Rakuten Mobile* have led to reductions in adjusted EBITDA losses in the Mobile segment, while the continued growth of our Internet Services segment improved adjusted EBITDA in that segment. As a result, the sum of adjusted EBITDA in our Internet Services and Mobile segments has improved in recent quarters, with losses measured on this basis decreasing in each quarter of 2022 and 2023. We have achieved overall positive adjusted EBITDA from these two segments on a combined basis in the three-month period ended December 31, 2023 and the three-month periods ended June 30, 2024 and September 30, 2024. Based on the strategies described herein, we are now seeking to break even for Rakuten Mobile, Inc. on a monthly adjusted EBITDA basis by the end of 2024 and on an annual adjusted EBITDA basis in 2025. Based on our current model, we believe this can be achieved if we are able to reach between 8 and 10 million MNO subscribers excluding BCP subscribers and MVNE (although *Rakuten Mobile*'s total number of subscribers including MVNO, MVNE and BCP has surpassed 8 million as of October 18, 2024, the number of subscribers excluding BCP and MVNE was 7.41 million as of November 10, 2024), with an ARPU of between ¥2,500 and ¥3,000 per month, as compared to ¥2,039 (prior to the effect of Mobile Ecosystem Contribution) and ¥2,801 (including the effect of Mobile Ecosystem Contribution), respectively, in the three-month period ended September 30, 2024, and by achieving total costs of between ¥23 billion and ¥25 billion per month, which we have achieved as our total costs were reduced to ¥23 billion in December 2023. "Total costs" for these purposes consist of network costs (but excluding depreciation and amortization) and selling, general and administrative expenses for the mobile segment. See "Adjusted/ Non-GAAP Financial Measures" for a definition of adjusted EBITDA, a discussion of the relevant adjustments and a reconciliation to the most directly comparable measures presented in accordance with IFRS.

The targets for achieving profitability at Rakuten Mobile set forth above and elsewhere in this offering circular are not forecasts or projections thereof. These targets reflect our beliefs and expectations, based on information available to us, as of the date of this offering circular, and are subject to change. In formulating such targets, we have made a number of assumptions and estimates, including the general continuation of the current state of external factors such as macroeconomic factors and the industry environment for each of our businesses, our ability to continue to grow Rakuten Mobile's subscriber base at the current pace, our ability to continue to increase ARPU at Rakuten Mobile and our ability to continue to manage costs at Rakuten Mobile. Our ability to achieve these targets will depend not only on the accuracy of our assumptions, but also our ability to successfully implement the strategies for our business, including the strategies for Rakuten Mobile as well as our other businesses and the Rakuten Ecosystem in general, described herein. Moreover, our ability to achieve such targets may be materially and adversely affected by the occurrence of any of the risks and uncertainties set forth in "Risk Factors" and elsewhere in this offering circular, including, but not limited to, "Risk Factors—Risks Relating to Our Business Generally—Rakuten Mobile exposes us to significant risks, and we may be unable to recoup our investments in it or make it profitable on our expected timeline or at all." There can be no assurance that we will meet these targets and you should not place undue reliance on them. You should make an independent assessment of our business prospects and future performance based on the other information provided in this offering circular.

The foregoing includes forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. See "Forward-Looking Statements."

Continue to grow our subscriber base by targeted marketing and a streamlined sign-up process

We believe that the SAIKYO plan has the potential to significantly accelerate user acquisition. According to a survey conducted by MMD Labo between February 2, 2024 and February 5, 2024, out of a sample size of 6,141 respondents, of all respondents considering switching carriers using MNP, *Rakuten Mobile* was the most popular potential choice at 22.5%. Of the 9,841 respondents, 30.4% responded that their willingness to switch was affected by the high prices of their existing plans. We believe this exemplifies the attractiveness of the roaming arrangement and the SAIKYO plan, and once the full implementation of the roaming arrangement and the anticipated network improvements are completed, we plan to intensify our ongoing disciplined marketing initiatives, such as advertising through our other sites and services and through *Rakuten Point*-related initiatives, targeted primarily at existing Rakuten Ecosystem users who are not already subscribers, through advertisements on our existing webpages and through our other services, to increase their awareness of these benefits. According to data released by MMD Research Institute from February to September 2024 (with a sample size of 33,106 smartphone users with multiple phone plan subscriptions), *Rakuten Mobile* had the highest increase in the rate of "main line" usage among the MNO operators in Japan, which refers to smartphone users selecting *Rakuten Mobile* as their primary carrier rather than a supplementary subscription.

In response to an increasing number of younger subscribers and to further expand across various demographic groups, *Rakuten Mobile* has also implemented a series of targeted programs under its SAIKYO plan to attract and retain users from different age groups. In February 2024, *Rakuten Mobile* began offering the "SAIKYO Family Program", which provides family discount from the SAIKYO plan, and in March 2024, *Rakuten Mobile* began offering the "SAIKYO Seishun Program," which provides 110 *Rakuten Points* per month to the SAIKYO plan subscribers aged 13 to 22 years old. In May 2024, *Rakuten Mobile* launched the "SAIKYO KIDS Program" to support children's first smartphones, offering a price as low as ¥528 (tax included) per month for children until the age of 13 if data usage is below 3GB. In September 2024, *Rakuten Mobile* began offering the "SAIKYO Senior Program" which provides 110 *Rakuten Points* per month to the SAIKYO plan subscribers who are 65 years old and above. See "—Our Business Operations—Mobile Segment—MNO Business."

These planned marketing initiatives will be supported by our streamlined sign-up process. Beginning in early July 2023, we now allow for streamlined sign-up and activation of data-only e-SIMs through existing Rakuten ID accounts, a unique benefit allowing for quick, low-barrier switching to *Rakuten Mobile* and made possible by the Rakuten Ecosystem and our technological know-how. On August 31, 2023, we expanded this streamlined sign-up and activation process to include voice-enabled SIMs as well. This streamlined sign-up feature complements one-stop MNP, which began for all MNOs in late May 2023, differentiating *Rakuten Mobile* from its competitors. In February 2023, we also instituted an attractive referral program, whereby referring subscribers receive up to 7,000 *Rakuten Points* per person referred, while new subscribers who are referred receive up to 3,000 points (before August 1, 2023) or 6,000 points (on or after August 1, 2023). Starting from February 1, 2024, we further boosted our referral program by offering up to 13,000 points for new MNP subscribers who are referred.

Expanding ARPU and reducing operating costs

We have also made significant progress in improving ARPU, particularly for data, with the attractive tiered pricing of our Rakuten UN-LIMIT VII plan in July 2022 (which has been maintained for the SAIKYO plan) and the end of our no charge and point back promotions, the last of which ended October 2022. ARPU (before Mobile Ecosystem Contribution) has increased from ¥1,456 for the three-month period ended September 30, 2022 to a peak of ¥2,056 for the three-month period ended September 30, 2023. While ARPU (before Mobile Ecosystem Contribution) declined to ¥1,966 for the three-month period ended March 31, 2024, we have successfully returned to growth, with ARPU increasing to ¥2,039 (prior to the effect of Mobile Ecosystem Contribution) and ¥2,801 (including the effect of Mobile Ecosystem Contribution), respectively, for the three-month period ended September 30, 2024, driven particularly by growth in data fees, with the monthly average data volume per B2C user reaching 29.0 GB in the three-month period ended September 30, 2024, an increase of approximately 6.6 GB per month compared to September 2023. We believe that this increase in ARPU, when combined with our targeted expansion in our user base, will help provide us with significantly expanded revenue opportunities.

In terms of the cost structure of *Rakuten Mobile*, we have implemented a number of cost reduction initiatives. By accelerating the automation of operations and carefully selecting development projects, we are targeting reductions in base station construction costs. By closing unprofitable shops and reducing personnel, optimizing our distribution network and improving device-related logistics, we are targeting reductions in customer acquisition costs. Moreover, pursuant to the terms of the roaming agreement with KDDI, roaming fees have gradually begun to decrease since the fourth quarter of the fiscal year ended December 31, 2023. Through these initiatives, we were targeting overall reductions in cost (consisting of network costs, including depreciation, and selling, general and administrative expenses) of approximately ¥15 billion per month, when comparing our highest monthly levels in the year ended December 31, 2022 against our estimates for the year ended December 31, 2023. As a result of these initiatives, we achieved our monthly cost reduction goal in the three-month period ended December 31, 2023, with a reduction of approximately ¥16 billion for December 2023.

Continue to improve our network's quality and coverage

We also plan to continue to pursue improvements in our own network, including the construction of additional base stations. In particular, we have successfully obtained an allocation in the 700 MHz "platinum band" spectrum, which we believe will significantly improve network quality, particularly in buildings, subways and other hard to penetrate areas. On June 27, 2024, we launched commercial services using 700 MHz "platinum band" spectrum and plan to continue expanding platinum band services using *Rakuten Mobile*'s network of base stations, which we believe will allow us to improve customer satisfaction not only with roaming service but also

directly on our network, helping to grow our subscriber base and improve profitability. See "—Achieve structural profitability in the Mobile business." If reallocations of frequencies in the 800 MHz and 900 MHz bands are to be made in the future, we may also seek to be allocated such frequencies. In order to achieve additional population coverage, even in sparsely populated or remote areas, we are also seeking to leverage the satellite technologies of our investee, AST SpaceMobile, which, to the extent they allow for coverage of such areas without the construction of new physical base stations, would allow us to reduce additional capital expenditures required to meet this goal. We aim to commence our service offering using this technology in Japan in 2026.

Pursue a disciplined financial strategy, including the reduction of our total debt by utilizing equity-related financing and proactive debt maturity management to support growth investments

While we continue to actively pursue accelerated growth in our Mobile business, we seek to balance the effect of these initiatives on funding and cash flows with improving our financial health in the mid-to-long term, without an over-reliance on interest-bearing liabilities. In particular, we are committed to a policy of not increasing gross indebtedness. A key component of this strategy is to manage liquidity needs and improve available liquidity under a disciplined financial strategy. We believe we have a consistent track record of successfully achieving these goals, managing our total outstanding debt by diversifying our funding sources to include not only issuances of debt but also including bank loans, monetization of our businesses and investment portfolios, hybrid financings (which term refers to subordinated financing transactions legally structured as debt and with features of both equity and debt), and monetization of assets and businesses. We also conducted an additional sale of *Rakuten Bank* shares in December 2023, resulting in the receipt of net proceeds of ¥59.6 billion. In November 2022, *Rakuten Securities Holdings* sold approximately 19.99% of the outstanding shares of common stock of *Rakuten Securities* to Mizuho Securities for a purchase price of ¥80 billion. In order to further improve our liquidity, on December 15, 2023, *Rakuten Securities Holdings* sold approximately 29.01% of the shares of common stock of *Rakuten Securities* to Mizuho Securities for a purchase price of ¥87 billion. As a result of this share sale, as of the date of this offering circular, *Rakuten Securities Holdings* holds approximately 51% of the shares of *Rakuten Securities*. See "—Our Business Operations—FinTech Segment—Online Securities Business—Strategic Alliance between *Rakuten Securities Holdings* and Mizuho Securities." We also maintain continued support from relationship banks with a ¥150 billion commitment line which was undrawn as of September 30, 2024. Our financing strategies have helped us maintain sufficient liquidity. Rakuten Group, Inc., which is the key funding entity for the Internet Services and Mobile segments, has recorded standalone cash and cash equivalents balances of ¥180.2 billion, ¥110.1 billion, ¥304.4 billion, ¥92.6 billion, ¥208.0 billion and ¥679.9 billion, respectively, as of each of December 31, 2019, 2020, 2021, 2022 and 2023 and September 30, 2024.

On September 30, 2024, we announced that *Rakuten Card* and Mizuho Financial Group, Inc. agreed to consider a strategic capital and business alliance. Further to this announcement, Rakuten Group and Mizuho Financial Group concluded a share sale agreement on November 13, 2024, pursuant to which Mizuho Financial Group agreed to purchase 14.99% of the outstanding shares of *Rakuten Card* for a purchase price of ¥164,997 million, as well as a related shareholder agreement in respect of the shares of *Rakuten Card*. This purchase was completed on December 1, 2024. We expect that *Rakuten Card* will continue to be a consolidated subsidiary of Rakuten Group, Inc. after the effective date of the alliance. Rakuten Insurance Holdings Co., Ltd., previously a 100% consolidated subsidiary of *Rakuten Card*, is not included in the alliance and its shares have been transferred to Rakuten Group, Inc. See "—Our Business Operations—FinTech Segment—Credit Card Business—Strategic Capital and Business Alliance between *Rakuten Card* and Mizuho Financial Group, Inc. and Business Alliance Among Rakuten Group, *Rakuten Card*, Mizuho Financial Group, Mizuho Bank, UC Card and Orient Corporation." We proactively manage the maturity profile of our indebtedness, extending maturities to relieve funding pressure. For example, in February 2024, we issued an aggregate principal amount of $1,800 million of 11.250% senior notes due 2027, and used a portion of the proceeds to repurchase an aggregate of $966.1 million of U.S. dollar-denominated senior notes scheduled to mature in 2024. We used the remaining proceeds to fund repurchases of our yen-denominated bonds scheduled to mature in 2024. In addition, on April 10, 2024, we completed an offering of $2.0 billion aggregate principal amount of 9.75% senior notes due 2029. We plan to use the proceeds from the sale of the notes to fund the redemption and/or repurchase of our senior bonds scheduled to mature in 2024 or later, and on April 24, 2024, we completed a private placement of ¥50.0 billion aggregate principal amount of 6.00% senior notes due 2029. We plan to use the proceeds from the sale of the notes to repay existing bonds. Accordingly, we have addressed a significant portion of our funding needs for redemptions of bonds scheduled to come due in 2024 and 2025. Through these offerings, we are further seeking to address funding needs for redemptions of bonds scheduled to mature in 2024 or later.

In addition, we plan to seek to reduce our overall indebtedness on a gross basis by using the proceeds of monetization of assets and businesses. We believe that we have ample potential sources of capital for this

initiative, including potential asset sales or other monetizations of *Rakuten Capital*'s portfolio, the potential listing of *Rakuten Securities Holdings* and seeking potential third-party capital investments at *Rakuten Symphony*. Given our consistent track record of successful monetization of assets and businesses and other equity-type financing as discussed above, we believe we will be able to secure additional funding of this type to reduce our reliance on interest-bearing liabilities.

In order to further reduce our cost rising from interest-bearing liabilities, we have been seeking to improve our credit ratings and conduct refinancings as needed. In addition to senior indebtedness, we have also issued a number of series of subordinated bonds. As of September 30, 2024, we had ¥159 billion of Japanese-yen denominated subordinated bonds, $1.75 billion of U.S. dollar-denominated subordinated bonds and €1 billion of euro-denominated subordinated bonds (in each case, on a principal amount basis; while our U.S. dollar- and euro-denominated subordinated bonds are legally structured as bonds, in light of their terms, we treat them as equity instruments under IFRS for purposes of our consolidated financial statements) outstanding. Each of such series of bonds is eligible for a certain level of equity credit from the relevant ratings agencies, and our policy is to repay or refinance such bonds at the first call date with instruments eligible for at least the same level of equity credit from the relevant ratings agencies (whether legally structured as bonds or as equity securities). To address these upcoming refinancing needs, we have undertaken several initiatives. In February 2024, we filed a shelf registration statement in Japan for the offering in Japan of up to ¥100 billion aggregate principal amount of bond-type class shares that we designed with the intention that these shares be eligible for a certain level of equity credit from the ratings agencies, if and to the extent issued. Our annual general meeting of shareholders approved amendments to our Articles of Incorporation necessary for the issuance of such class shares in March 2024. Now, we are preparing for the refinancing of our yen-denominated subordinated bonds, including our ¥50 billion 1.81% subordinated bonds due November 2055, which become callable in November 2025, and our ¥26 billion 2.61% subordinated bonds due December 2055, which become callable in December 2025 through the offering of the notes.

VISION 2030: Our vision for Rakuten's long-term future

VISION 2030 is our long-term vision for Rakuten's future. As part of this vision, we seek to attain overall domestic e-commerce GMS of over ¥10 trillion annually, envisioning revenue and Non-GAAP Operating Income of approximately ¥2,700 billion and approximately ¥410 billion, respectively, in the year ending December 31, 2030 (compared to ¥1,212 billion and ¥77 billion, respectively, in the year ended December 31, 2023), leading to a Non-GAAP Operating Income margin of approximately 15%, compared to 6.3% for the year ended December 31, 2023. In the FinTech segment, at *Rakuten Card*, the main payment method in the segment, the total number of cards issued to *Rakuten Card* cardholders has surpassed 30 million (including multiple cards held by the same cardholders) as of December 2023, marking the achievement of the first of our "triple threes" mid-term targets – 30 million cards issued, ¥30 trillion of shopping GTV and 30% of the domestic credit card GTV share in the mid-term. We envision revenue and Non-GAAP Operating Income in the FinTech segment of approximately ¥1,600 billion and approximately ¥330 billion, respectively, in the year ending December 31, 2030 (compared to ¥725 billion and ¥123 billion, respectively, in the year ended December 31, 2023), leading to a Non-GAAP Operating Income margin of approximately 20%, compared to 16.9% for the year ended December 31, 2023. In the Mobile segment, we aspire to reach approximately 24 million individual subscribers and approximately 7 million business subscribers at *Rakuten Mobile*, envisioning operating leverage driving profit after reaching a break-even point that we strive to reach in the coming years.

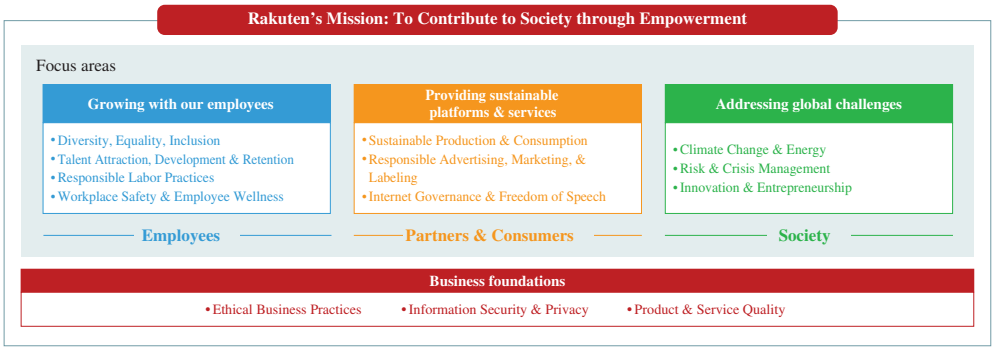
The goals, visions and aspirations forming a part of VISION 2030 and set forth above and elsewhere in this offering circular represent our goals, visions and aspirations for our future performance, and are not forecasts or projections thereof. These goals, visions and aspirations reflect our beliefs and expectations, based on information available to us as of the date of this offering circular, and are subject to change. In formulating such goals, visions and aspirations, we have made a number of assumptions and estimates, including the general continuation of the current state of external factors such as macroeconomic factors and the industry environment for each of our businesses. We have also made assumptions regarding the development and growth of the Rakuten Ecosystem, as well as with regards to our business, including the performance of our business, operating and funding costs, capital expenditures and other spending plans, technological developments, employment and other factors. For example, in addition to assumptions about the operating environment for our FinTech businesses such as the continued digitalization of financial industries, we assumed that Rakuten Card, as the main payment business in the segment, will drive its own business as well as cross-use of other businesses in the FinTech segment and cross use of businesses across the Rakuten Ecosystem in a manner that permits sustainable growth. Our ability to achieve these goals, visions and aspirations will depend not only on the accuracy of such assumptions, but also our ability to successfully implement the strategies for our business

described herein. Moreover, our ability to achieve such goals, visions and aspirations may be materially and adversely affected by the occurrence of any of the risks and uncertainties set forth in "Risk Factors" and elsewhere in this offering circular, including, but not limited to, "Risk Factors—Risks Relating to Our Business Generally—We may be unable to successfully implement our growth strategies or to meet our goals, visions and aspirations." There can be no assurance that we will meet these goals, visions and aspirations and you should not place undue reliance on them. You should make an independent assessment of our business prospects and future performance based on the other information provided in this offering circular.

The foregoing includes forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. See "Forward-Looking Statements."

Continue to seek sustainable, responsible growth, including through the pursuit of carbon neutrality

Since our foundation, we have sought to revitalize Japan by providing services that empower merchants and local economies over the long term. As a global company, this philosophy of empowerment remains unchanged, and our mission to contribute to society resonates particularly with the concept of sustainability. As part of this commitment, in November 2021, we established the Rakuten Group Sustainability Committee, made up of a cross-border management team chaired by the CWO (Chief Well-being Officer), with the goal of strengthening the Rakuten Group's framework for implementing sustainability measures. The Committee discusses and makes senior management-level decisions on ESG (Environmental, Social, and Governance) risks, notably challenges associated with our focus areas. It is a place for sharing information, such as stakeholder expectations and industry best practices, and for decision making on strategy and target setting, for example. We have identified three key areas of focus, as well as three key business foundations, upon which our mission is based:



In particular, we will continue striving to mitigate climate change through an environment-conscious platform established with our business partners and users, doing our part to help realize a carbon neutral society by 2050. Internally, we are committed to strengthening our internal organization and systems, setting science-based targets, and ensuring transparency in order to achieve carbon-neutrality. At Rakuten Group, on a standalone basis, we have adopted 100% renewable electricity (including under Non-Fossil Certificates) since 2021 and achieved net zero carbon emissions of Scope 1 and 2 on a group consolidated level in 2023.

Our Business Operations

Membership and Incentive Programs

One of our key strategies is to maintain and enhance our Rakuten Ecosystem in order to create strong network effects between users, merchants and other participants. In order to integrate our businesses and create incentives for users to be active in our Rakuten Ecosystem, we have unified membership databases and platforms, allowed access to many of our services using a single user ID and implemented our *Rakuten Point* rewards program across many of our services. We seek to reinforce network effects in our Rakuten Ecosystem by cross-promotion of our services and targeted promotions such as opportunities to earn additional *Rakuten Points* by purchasing or using multiple products and services during Rakuten group-wide sales campaigns such as Rakuten Super Sales or for using new services in our Rakuten Ecosystem. We issued approximately 650 billion points during the year ended December 31, 2023 and as of September 30, 2024, we have issued a cumulative total of more than 4.4 trillion *Rakuten Points* to our users.

Rakuten IDs

Rakuten members can access a wide variety of our services with a single Rakuten ID, and we believe that the number of Rakuten IDs is a useful metric for tracking our expansion within Japan. We calculate the total

Rakuten IDs as the number of Rakuten member IDs in Japan that have logged in at least once after membership ID registration, excluding members who withdrew their membership (some individuals have multiple Rakuten IDs). As of December 31, 2023, there were approximately 140.7 million Rakuten IDs, an increase of 4.5% from December 31, 2022, which continued to grow to 145.4 million as of September 30, 2024.

Rakuten Global Membership

To track our expansion efforts in Japan and internationally, we measure Rakuten global membership as the sum of the members across Rakuten (Japan), overseas e-commerce (including *Rakuten Rewards*), *Rakuten Kobo*, *Rakuten TV*, *Rakuten Viki* and *Rakuten Viber* (some users have multiple memberships within or across these services). Our global membership has grown steadily, increasing from approximately 1.2 billion members as of December 31, 2017 to approximately 1.9 billion members as of December 31, 2023 and approximately 2.0 billion members as of September 30, 2024.

Global Gross GTV

Global gross GTV, which measures the global gross transaction value for certain of our services, increased steadily over the last five years from ¥19.0 trillion in the year ended December 31, 2019 to ¥40.0 trillion for the year ended December 31, 2023. In the nine-month period ended September 30, 2024, global gross GTV was ¥32.2 trillion.

	For the year ended December 31,					For the nine-month period ended
	2019	2020	2021	2022	2023	September 30, 2024
			(in trillions of yen)			
GTV[(1)]	¥ 19.0	¥ 22.3	¥ 27.0	¥ 33.8	¥ 40.0	¥ 32.2

Note:

(1) GTV is calculated as Domestic E-commerce GMS + *Rakuten Card* GTV + *Rakuten Edy* GTV + *Rakuten Pay GTV* + *Rakuten Point Card* GTV + overseas e-commerce GTV + *Rakuten Rewards* GTV + digital content GTV + *Rakuten Advertising* GTV, and includes intercompany transactions for settlement and affiliate services.

Cross-use ratio

Our cross-use ratio is defined as the ratio of the number of Rakuten members in Japan who have utilized two or more Rakuten services eligible to earn *Rakuten Points* during the past twelve months to the number of all members that utilized any such service during the last twelve months, and limited to the use of services that can earn *Rakuten Points*. We believe this is a useful metric for measuring our success at engaging and retaining customers within the Rakuten Ecosystem. The following table shows our cross-use ratio on a quarterly basis for the specified periods:

	September 30, 2022	December 31, 2022	March 31, 2023	June 30, 2023	September 30, 2023	December 31, 2023	March 31, 2024	June 30, 2024	September 30, 2024
Cross-use ratio	74.9%	75.6%	76.1%	76.7%	76.5%	76.9%	76.6%	76.8%	76.6%

Rakuten Point Rewards Program

With our *Rakuten Point* rewards program, consumers collect points by shopping or using a service within the Rakuten group which can then be used to pay for shopping and other services in the Rakuten group.

One *Rakuten Point* is equivalent to one yen. Currently, customers gain points equivalent to 1% of the value of purchases from shopping on *Rakuten Ichiba* as well as the various services offered by the Rakuten group. Members can earn extra points by paying using *Rakuten Card* or *Rakuten Edy*, the credit card and e-money services we operate in the FinTech segment, and we introduced the Super Point Up program in January 2016 which allows members to increase the number of points they earn when using multiple Rakuten services. These points can then be used towards purchases through *Rakuten Ichiba* or any of our other participating services. Customers can also use their "*Rakuten Point Card*," a universal point card for *Rakuten Points* to earn or pay with *Rakuten Points* at various physical retail outlets, either by showing the card itself or by using a free app for iOS and Android that displays the card information. Members can also exchange *Rakuten Points* for *Rakuten Edy* e-money or use their points for the payment of their *Rakuten Card* bills, and since December 2019, users of *Rakuten Wallet* have been able to exchange *Rakuten Points* for a selection of crypto assets. In March 2020 we launched *Rakuten Point Mall*, an online entertainment portal that allows users to earn *Rakuten Points* through a variety of games and other interactive content that we believe can promote and strengthen our customers' use of

our other services. In addition, we have reciprocity programs through affiliation with third parties, such as "ANA Mileage Club" offered by All Nippon Airways Co., Ltd., and in February 2016 we expanded our partnership with All Nippon Airways to offer customers the "Rakuten ANA Mileage Club Card," a *Rakuten Card* supplemented with ANA Mileage Club functions that also allows customers to board ANA domestic flights without going through the check-in process at the airport. We continue to explore new avenues for users to collect *Rakuten Points*, and in May 2016 we announced a partnership with Energy Demand Side Service Development Cooperative to allow applicable energy customers to receive *Rakuten Points* when paying their electricity bills. We have formed partnerships with retailers to allow customers to use their *Rakuten Point Card* at various stores across Japan. Our partners include *FamilyMart* convenience stores, fast-food chains such as *KFC* as well as *Sundrug* drug stores. In April 2024, we entered into a partnership with Accor, a leading hospitality group, in which *Rakuten Points* can be mutually exchanged with points from Accor's loyalty program, "ALL – Accor Live Limitless." We pool *Rakuten Points* for individual customers and, after a customer uses points towards a purchase, the merchant reimburses us for that amount.

We believe that *Rakuten Points* are a particularly effective marketing tool because they can be easily redeemed. In principle, points do not expire as long as users use a service within one year, and there are no restrictions on when and where members can redeem points, although we do sometimes issue points with special time and other restrictions. In addition, *Rakuten Points* can be redeemed with a low minimum requirements starting at one point (depending on the service), meaning that even a small number of points have value, unlike with many other point-based incentive programs. We also award points even when a customer uses *Rakuten Points* to make a purchase.

Rakuten Gakuwari

Rakuten Gakuwari is a membership program for students aged 15 to 25 that we launched in March 2016. Members are able to enjoy exclusive benefits relating to services that Rakuten group offers in the fields of e-commerce, travel, finance and entertainment, such as *Rakuten Ichiba*, *Rakuten Card* and *Rakuten Travel*.

Internet Services Segment

Overview

Our Internet Services segment operates websites and provides services related to e-commerce, an online travel agency and other services including online marketing. Within our Internet Services segment, the most significant business is *Rakuten Ichiba*, our e-commerce platform whose market share in Japan was 28.9% measured by e-commerce product sales in 2023, based on data compiled by FUJI KEIZAI CO., LTD. (we calculated this market share by dividing the GMS of *Rakuten Ichiba* by total e-commerce product sales in Japan in 2023 as reported by FUJI KEIZAI CO., LTD. in "Mail Order and e-Commerce Business 2024: Current Status and Future"). The Internet Services segment also operates our online travel agency *Rakuten Travel* and is engaged in various other businesses such as online marketing and overseas e-commerce businesses. Our *Rakuten Mobile* business was moved to the Mobile segment upon its creation on April 1, 2019.

The Internet Services segment contributed 54.9%, 52.4%, 52.7% and 50.0% of our revenue before intersegment eliminations for the years ended December 31, 2021, 2022 and 2023 and for the nine-month period ended September 30, 2024, respectively. Its revenue before intersegment eliminations was ¥1,013,615 million, ¥1,103,807 million, ¥1,212,314 million and ¥904,169 million for the years ended December 31, 2021, 2022 and 2023 and for the nine-month period ended September 30, 2024, respectively.

GMS

GMS, which measures the total sales value of items sold on our services, in our Domestic E-commerce businesses increased steadily over the last five years from ¥3.8 trillion in the year ended December 31, 2019 to ¥6.0 trillion for the year ended December 31, 2023 and was ¥4.2 trillion for the nine-month period ended September 30, 2024. The following table shows the Domestic E-commerce GMS for the periods indicated.

	For the year ended December 31,					For the nine-month period ended September 30,
	2019	2020	2021	2022	2023	2024
	(in trillions of yen)					
Domestic E-commerce GMS[1]	¥ 3.8	¥ 4.5	¥ 5.0	¥ 5.6	¥ 6.0	¥ 4.2

Note:

(1) Because the various services we offer change over time as operations are reorganized or new services are introduced, the collection of services upon which each figure is based varies from year to year. For example, in 2020, we transferred certain digital content businesses, including *Rakuten Ticket*, from the Internet Services segment to the Mobile segment, and the above figures have been adjusted to reflect such transfer. Moreover, in 2021, we transferred certain digital content business and messaging service business such as Rakuten Kobo Inc. and Viber Media S.a.r.l. from the Mobile segment to the Internet Services segment, which has resulted in retrospective adjustments to domestic e-commerce GMS for the years ended December 31, 2019 and 2020. Moreover, the content business outside of North America was transferred from Mobile segment to Internet Services segment, and GMS have been retroactively adjusted from the first quarter of 2023. The segment information for or the prior to the years ended December 31, 2019 have not been retroactively adjusted. Our current calculation of Domestic E-commerce GMS includes gross sales of *Rakuten Ichiba, Rakuten Travel* (GTV on checkout basis)*, Rakuten Books, Rakuten Books* network*, Rakuten Kobo* (domestic), golf business*, Rakuten Fashion, Rakuten Dream, Rakuten Beauty, Rakuten 24,* our auto business*, Rakuten Rakuma, Rakuten Rebates, Rakuten Mart (formerly Rakuten Seiyu Netsuper), Rakuten Ticket* and cross border trading, etc. Domestic E-commerce GMS excludes some tax-exempt businesses, but includes consumption tax. *Rakuten Books* network, cross border trading and *Rakuten Kobo* (domestic) were added from the three-month period ended December 31, 2021. This has resulted in retroactive adjustments to Domestic E-Commerce GMS. From the first quarter of 2023, *Rakuten Ticket* was transferred from the Mobile segment to the domestic e-commerce category under the Internet Services segment, and past figures have been retroactively adjusted. In addition, from the second quarter of 2023, a portion of domestic e-commerce GMS definitions has been revised, and past figures have been retroactively adjusted. Effective September 1, 2023, *Rakuten Pay* (online payment) business and *Rakuten Points* (online) business were transferred from the Internet Service segment to the FinTech segment, and no retrospective revisions have been made to past results as the size of this amount is immaterial.

Rakuten Ichiba Business

Overview

Rakuten Ichiba had 56,379, 56,983 and 57,309 participating merchants as of December 31, 2021, 2022 and 2023, respectively, and 55,832 participating merchants as of September 30, 2024.

Our Products and Services

Rakuten Ichiba is the core focus of our Domestic E-commerce businesses. Through our *Rakuten Ichiba* online shopping services, we act primarily as a facilitator for participating merchants, who represent a large spectrum of retailers, service providers and manufacturers to sell their products and services on the Internet.

We believe we offer a number of value propositions to both merchants and users, and that the attraction of both merchants and users creates a virtuous cycle. For users, we offer a secure online shopping experience with a comprehensive line-up of products at competitive pricing and a loyalty reward program.

We arrange products sold on *Rakuten Ichiba* under the following major categories:

- Fashion
- Fashion accessories
- Kids and baby goods
- Sports and golf
- Appliances, television and cameras
- PC, smartphones and communications
- Food and sweets
- Drinks and alcohol
- Interior and furniture
- Everyday needs and kitchen supplies
- Books, e-books and music

- Games, hobbies and musical instruments
- Cars and bicycles
- Cosmetics, health products and medical goods
- Pet-related goods, flowers and do-it-yourself tools
- Home services and renovations

Our main sources of revenue for the *Rakuten Ichiba* business are commissions and fees from merchants that sell goods and services through our online marketplace, including sales commissions representing a percentage of merchant sales, fees received in return for providing Rakuten Merchant Server, or "RMS," an application system for establishing and running an online shop and marketing on *Rakuten Ichiba*, and fixed monthly merchant usage fees. We also record revenue from advertising on *Rakuten Ichiba* such as display ads, search ads and email ads. In addition, we record commissions and fees from offering credit card and other payment methods.

Fixed monthly fees received from merchants in return for the right to open and retain their shops on *Rakuten Ichiba* range between ¥25,000 and ¥130,000. For our most popular Gambare! plan, fees primarily consist of a fixed monthly fee of ¥25,000 for up to 10,000 items listed plus a percentage commission that varies from between 3.5% to 7.0% of the yen amount of sales. We also have plans with more expensive monthly fees and unlimited listable items. The following table is a summary of our current fee system:

	Mega shop plan	**Standard plan**	**Gambare! plan**
Number of products that can be listed	Unlimited	Up to 50,000 products	Up to 10,000 products
Amount of image storage	Unlimited	Up to 100 GB	Up to 1.5 GB
Contract period	1 year	1 year	1 year
Monthly merchant fee[1][2].....	¥130,000	¥65,000	¥25,000
RMS usage fee for PC[1].....	2.0% to 4.0% of revenue	2.0% to 4.0% of revenue	3.5% to 6.5% of revenue
RMS usage fee for mobile[1].....	2.5% to 4.5% of revenue	2.5% to 4.5% of revenue	4.0% to 7.0% of revenue

Notes:
(1) Fees do not include tax.
(2) For the Gambare! plan, the total monthly fees for the twelve months in the contract period must be paid in a lump sum. For the Standard plan and the Mega shop plan, the total monthly fees for each six-month period within the contract period must be paid in lump sum.

Payment and Delivery

Payment and delivery between customers and merchants on *Rakuten Ichiba* take place after an order is confirmed and notification has been made to the merchant. For credit card payments, we utilize a system whereby the credit card information of the card holder is not disclosed to the merchant, thus enhancing customer privacy and confidence in our system. The merchant makes the delivery directly to the customer after receiving an order confirmation from us, and we direct the credit card company to make the appropriate payment to the merchant. In addition, merchants may choose to take advantage of our *R-Card Plus* system, whereby we handle all the dealings with the credit card company directly and we pay the merchants ourselves, thus greatly facilitating the settlement process for merchants. Customers can also choose from a variety of other payment options specified by the merchant, including but not limited to bank remittance, credit cards, various electronic settlement services such as Apple Pay, PayPal, Alipay and others and cash on delivery executed by logistics operators and payment through convenience stores.

Deliveries are typically made by a home delivery service using one of several major distributors with which we have an agreement, pursuant to which merchants may qualify for a discounted delivery rate. In addition, we have established logistics agency services through *Rakuten Super Logistics* to assist merchants that need assistance with order shipment and delivery logistics. In April 2017, we began a collaboration with Japan Post Co. to strengthen e-commerce logistics and increase the efficiency of deliveries and pick-ups, and in December 2020, we signed a basic agreement to form a strategic partnership to develop a more robust and sustainable logistics system for the "new normal" era where e-commerce has taken on a larger and more

important role as a cornerstone of daily life. On March 12, 2021, Japan Post Holdings acquired 8.32% of our shares (based on the number of outstanding shares as of December 31, 2020) and we entered into a business alliance with Japan Post Holdings and Japan Post Co. to strengthen our collaboration with them across a range of fields, including logistics, mobile, digital transformation and more. In addition, we signed an agreement for an allotment of shares pursuant to which Japan Post Holdings would invest in shares of our common stock to strengthen ties between us and Japan Post Holdings and its group companies. Pursuant to an integration contract signed on April 28, 2021, we established JP Rakuten Logistics, our joint venture with Japan Post Co., in which we own 49.9% of the voting interests and to which we transferred our Logistics Business in July 2021. Through our collaboration with Japan Post Holdings and Japan Post Co., we have been able to improve the provision of and policies for the "last mile" of delivery to reduce the instances of missed deliveries and redeliveries at the customers' homes. As part of this collaboration, *Rakuten Ichiba* shoppers have the option to choose to pick up their ordered goods at Japan Post Co.'s approximately 20,000 post offices around Japan and can receive a reward in *Rakuten Points* for doing so. In July 2024, we introduced the Saikyo Delivery—which means "the strongest delivery"—on *Rakuten Ichiba*, offering next-day delivery for orders placed before the cut-off time on the day prior (generally 12:00 PM on weekdays and 9:00 AM on weekends and holidays, with exceptions depending on stores and products). With this new delivery system, customers can choose the delivery date and time, allowing them to select when they are most likely to receive packages and thereby reducing the risks of failed deliveries due to full delivery lockers or inability to leave packages unattended. The Saikyo Delivery is free for orders that are ¥3,980 or higher (tax included) for areas other than Okinawa, remote islands and certain other areas and for orders that are ¥9,800 or higher (tax included) for Okinawa, remote islands and certain other areas and available at selected merchants.

Sales and Marketing

Marketing Activities Targeting Consumers

We believe our e-commerce services appeal to consumers because of the large number and diversity of merchants and products we offer. We have focused our marketing efforts for consumers towards gaining new users and increasing the rate of repeated use. Our marketing activities include *Rakuten Points*, an incentive program for making purchases, and promotional activities to enhance cross-use among various Rakuten services including our travel business and the businesses in our FinTech segment.

Rakuten Super Sale

Rakuten Super Sale is a large-scale sales campaign and promotional event centered on *Rakuten Ichiba* typically carried out every three months. Rakuten Super Sales are announced one or two weeks before the event is to take place on *Rakuten Ichiba* itself and on other Rakuten sites, as well as via marketing on television and other services like Facebook and LINE. During the event, members can earn additional points on purchases made on *Rakuten Ichiba*. As members purchase items from additional merchants (in amounts greater than ¥1,000) on *Rakuten Ichiba*, they have the opportunity to multiply the number of earned points up to by ten times, and as members purchase items from *Rakuten Rakuma*, they have the opportunity to earn an additional multiplier so that their earned points can be multiplied by a combined total of 11 times. We believe that in addition to increasing traffic to and sales on *Rakuten Ichiba* and *Rakuten Rakuma* and participating services during the course of the event, Rakuten Super Sales also increase our sales by increasing both the number of members and the cross-use of members on our other services by improving customer loyalty in the mid- to long-term.

International Partnerships

In April 2020, we announced an initiative with Shopify Inc., one of the world's leading multichannel commerce platforms, which allows merchants in the United States and Japan to operate e-commerce stores on *Rakuten Ichiba* through the Shopify Inc. platform. By adding the *Rakuten Ichiba* application on the Shopify platform, Shopify merchants can easily add *Rakuten Ichiba* as a new sales channel and expand their market.

In May 2024, we announced that we have signed a Memorandum of Understanding with the Department of International Trade Promotion (DITP) in Thailand's Ministry of Commerce for the promotion of Thai products, as part of the "TOPTHAT" project led by DITP, aimed at collaborating with leading e-commerce platform operators in their respective countries to increase awareness and promote sales of Thai products. The TOPTHAI project is currently rolled out in nine countries and regions around the world, and Rakuten group has been selected to represent the 10th partner, Japan. Through this collaboration, we and DITP plan to open an official TOPTHAI Store on *Rakuten Ichiba* to promote sales of Thai products and supporting activities for Thai entrepreneurs through e-commerce-related seminars and other initiatives. *Rakuten Ichiba* will be the first e-commerce site in Japan to host an official TOPTHAI Store.

Synergies with Professional Sports

As part of our overall promotional strategy, we also established a Japanese professional baseball team, the Tohoku Rakuten Golden Eagles, in November 2004. If the team wins the league championship, as the Tohoku Rakuten Golden Eagles did in 2013, the promotional effect on *Rakuten Ichiba* as well as other services is significant and boosts transaction volume. We also generally offer Point Up campaign promotions on the day following a victory by the Tohoku Rakuten Golden Eagles or Vissel Kobe.

Aside from our direct team management, we also have a partnership with the Golden State Warriors.

See "—Professional sports business."

Rakuten Anshin Shopping Service

While we, acting as a facilitator, do not take legal responsibility for products offered by our merchants to users on *Rakuten Ichiba*, we do offer a service called "Rakuten Anshin Shopping Service" to reimburse Rakuten members for the cost of products ordered from merchants that do not arrive, are damaged or defective or differ significantly from the description on the product page. When merchants are unresponsive to user concerns, users can contact us within 90 days from the day after the order date to apply to be reimbursed up to five times a year and up to a total of ¥300,000 per reimbursement request as long as the users remain Rakuten members. We began offering a similar service in 2015 that provides reimbursement for counterfeit products ordered from merchants, which currently covers products from over 1,000 brands. Additionally, for orders delivered using only the Saikyo Delivery service, we offer a compensation of 5% in limited-time *Rakuten Points* if such orders are not delivered on the specified date as long as a claim for such compensation is submitted within 90 days from the date of the purchase.

Customer Reviews

Customers can write and view recommendations and reviews of merchants and particular products in order to assist them with their purchases. We believe these reviews make our service more attractive to customers because they can obtain other customers' opinions about items they are interested in.

Marketing Activities Targeting Merchants

We are actively engaged in recruiting new merchants for our *Rakuten Ichiba* Internet website. While we started our service as an online marketplace for mostly small and medium-sized merchants, with the rapid growth in our customer base we have recently focused our attention on attracting more well-known merchants and luxury brands to *Rakuten Ichiba*. In December 2018, Walmart opened its first e-commerce store in Japan, the "Walmart Rakuten Ichiba Store," on *Rakuten Ichiba*, to offer Japanese consumers access to a wide variety of U.S. branded products. Additionally, in December 2017, we established *Rakuten Bic* in collaboration with BIC CAMERA INC., a popular consumer electronic retailer chain in Japan. Purchasers of consumer electronics often prefer to inspect merchandise at physical stores and then compare prices online. This customer preference prompted us to enter into this collaboration to address the needs of consumers who need assistance installing large appliances and appreciate the opportunity to consult with specialists when purchasing these items. *Rakuten BIC* offers a wide range of products from BIC CAMERA through *Rakuten Ichiba* as well as the accompanying product installation services. In order to provide for prompt delivery, *Rakuten Bic* utilizes BIC CAMERA's distribution centers to provide same-day delivery service on many items.

When appealing to larger merchants, we emphasize the large number of consumers who use our service, the support from our dedicated staff, called EC consultants, offering ongoing e-commerce consulting services, the ease with which merchants can design homepages and use various marketing tools on RMS, our proprietary system that allows merchants to easily operate and manage their *Rakuten Ichiba* activities, and our RMS AI Assistant, which leverages the power of generative AI to help merchants manage their stores and analyze sales data, as well as other support we provide through our Rakuten University, Rakuten AI University and other services.

EC Consultants

We employed 340 EC (e-commerce) consultants as of September 30, 2024. Our EC consultants work to gain a shared understanding of each merchant's goals and vision, and then help our merchants achieve sales targets by providing wide-ranging advice, including suggestions on how to expand sales, marketing strategies for each type of good and sharing best practices and success stories.

Quality Control of Merchants

We continuously conduct strict screening of applications from merchants in order to avoid potential fraudulent and illegal transactions on *Rakuten Ichiba*. We conduct daily monitoring for fake branded merchandise listed on *Rakuten Ichiba* and have close relationships with a number of brands to identify illegal items.

Rakuten EXPOs

We generally hold Rakuten EXPOs or conferences at least once a year in major cities in Japan and once a year in a selected foreign country where we operate e-commerce businesses as opportunities for direct contact with *Rakuten Ichiba* merchants. Each year, a theme linked to current business trends is chosen for the events, which are used not only to share Rakuten strategies but also to find solutions to merchants' problems and foster communications among partners.

Rakuten University

Rakuten University, our private training school for *Rakuten Ichiba* merchants, extends invitations to participating merchants to attend classes held at our offices and online. At these special classes, merchants learn not only how to set up their own storefronts but also about marketing, other techniques and management. Introductory courses in webpage design and operating an Internet shop are available. Additional classes are available for RMS usage, auctions and other topics. As well as classroom-based courses, Rakuten University also offers "RUx" lectures, which are online e-learning courses available to merchants at their convenience.

Rakuten Merchant Server (RMS)

RMS, a system based on proprietary software which we developed and own, allows merchants to easily operate and manage their *Rakuten Ichiba* activities, through functions such as:

- *R-Storefront*: RMS's simple function for webpage design, which allows merchants to launch and edit a webpage on *Rakuten Ichiba* without having knowledge of Internet programming languages and interfaces such as HTML or CGI. Webpages created by *R-Storefront* are accessible to consumers either by a personal computer or by an Internet-equipped mobile phone. R-Storefront also allows merchants to set and control their inventory by selecting two different features, such as color and size, for one product.

- *R-Backoffice*: Manages large volumes of customer orders in a timely and organized fashion. Once RMS receives an order from a customer, the information is stored by *R-Backoffice*, which automatically distributes thank you messages and delivery information to customers by e-mail. Merchants can use *R-Backoffice* to print out invoices, information regarding packaging and delivery specifications, and ledgers for accounts receivable. Merchants can also use a separately-charged "CSV Data Download Service" to link *R-Backoffice* to their own systems.

- *R-Mail*: RMS's email function, allowing merchants to easily and effectively communicate with customers, distribute useful information, introduce new products and announce sales and other events. Merchants can select the text to be displayed, create distribution lists and send informational content to their customers in bulk in an efficient manner.

- *R-Karte*: A marketing tool that allows merchants to obtain a comprehensive analysis of useful data such as sales amounts, unit cost per customer, trends by category and access statistics with graphic and other display functions. *R-Karte*'s data analysis allows merchants to better understand their stores' strengths and weaknesses in order to improve sales potential. In order to facilitate understanding of *R-Karte*, Rakuten University has e-learning courses targeted at specific industries and business types.

Rakuten RMS AI for Business Operations (RMS AI Assistant (Beta)) and Rakuten AI University

As part of our AI-nization efforts, we launched Rakuten RMS AI Assistant (Beta) on March 28, 2024 and Rakuten AI University on April 30, 2024 to help merchants understand AI technology, reduce operational cost and accelerate their business growth with powerful AI tools. The current beta version of RMS AI Assistant can help merchants manage their stores more efficiently by generating product descriptions, processing product images and drafting responses to customer questions, while the AI chatbot can answer customer questions about store operations. RMS AI Assistant (Beta) can also assist merchants in analyzing their sales data.

Competition

Although we believe we maintain a position of leadership in the Japanese e-commerce market, the environment for our products and services is competitive. Our current and potential competitors include:

- Other e-commerce sites operated by Internet service companies such as Amazon.com, Inc., LY Corporation, Mercari, Inc.

- Online special purpose shopping sites operated by traditional retailers such as BIC CAMERA INC. in electronic products and LY Corporation in apparel products or category-focused Internet service companies such as ZOZO, Inc., although we have also found opportunities to collaborate with traditional retailers where appropriate.

- Traditional retailers, catalog retailers, publishers, vendors, distributors and manufacturers of our products, many of which possess significant brand awareness, sales volume, and customer bases, and some of which currently sell, or may sell, products or services through the Internet, mail order, or direct marketing.

- A number of indirect competitors, including media companies, Internet portal website operators, comparison shopping Internet website operators, Internet search engine website operators, either directly or in collaboration with other retailers, smartphone media platforms and consumer-to-consumer shopping platforms such as Mercari.

- Companies that provide e-commerce services, including Internet website development, third-party fulfillment and customer service.

We believe that the principal competitive factors in our e-commerce businesses include selection, price, availability, convenience, reward programs, information, brand recognition, personalized services, accessibility, customer service, reliability, speed of fulfillment, ease of use, security and ability to adapt to changing conditions, as well as our customers' overall experience and trust in transactions with us and facilitated by us on behalf of third-party sellers. For services we offer to businesses and individual sellers, additional competitive factors include the quality of our services and tools, our ability to generate sales for third parties we serve, and the speed of performance for our services.

Travel Business

Overview

We operate our travel-related businesses as a subset of our Domestic E-commerce business. We provide online travel agency services to Rakuten members through our online travel agency *Rakuten Travel*, which we launched in March 2001 as a travel portal site in Japan and expanded through the acquisition of MyTrip.net in 2003. *Rakuten Travel* was previously operated by our wholly owned subsidiary, Rakuten Travel, Inc., which we established in 2002 and which was merged into Rakuten, Inc. in April 2014. In addition, in 2006, we established a joint venture company, Rakuten ANA Travel Online Co., Ltd., with All Nippon Airways Co., Ltd. (ANA) to provide travel packages combining ANA flights with hotel, car rental and other services provided by *Rakuten Travel* and ANA Sales Co. Ltd. In addition to our collaboration with ANA, we have been collaborating with Japan Airlines (JAL) and JAL Tours since September 2010, and launched the JAL Rakuten Pack, a dynamic travel package that combines JAL's domestic flights network with accommodation options provided by *Rakuten Travel*. As of August 2024, the service reached a milestone of 5 million cumulative users. *Rakuten Travel* has also been expanding its operations internationally in order to increase both inbound and outbound transactions for Japan. On February 6, 2024, we announced that *Rakuten Travel* has signed a memorandum of understanding with hotel chain IHG Hotels & Resorts, or IHG, to consider collaboration on a seamless travel booking experience and linking the two companies' loyalty programs. This is the first time IHG has signed a memorandum of understanding with a Japanese travel reservation service.

Our Products and Services

Rakuten Travel

We provide travel services directly to consumers on the Internet through *Rakuten Travel* and through contact centers. There is no membership fee for users to register with our service.

Rakuten Travel is an online travel agency. Our services include a research and reservation system to allow users to find, compare and purchase travel products and services such as:

- *Hotel rooms*. By simply selecting a date and destination, users can access a list of hotels available that suit their needs and then book a hotel room by filling out a simple online reservation application form. Hotels can be searched by region, closest train station, type of hotel, and key words such as sightseeing spots. The number of participating vendors has steadily grown, and, as of December 31, 2023, there were over 42,000 domestic hotels registered with *Rakuten Travel*.

- *Dynamic packages*. We provide domestic and international travel packages combining flights with hotel, car rental and other services at the choice of our users.

- *Other services*. We also provide reservations for various travel services, including primarily international air tickets, as well as domestic air tickets, car rentals, long-distance buses, sightseeing tours and vacation packages. Starting from April 17, 2024, our car rental reservation service is made available in English, Korean and Traditional Chinese in addition to Japanese, covering approximately 3,000 rental locations nationwide, including Nippon Rent-A-Car. This multilingual support aims to cater to the increasing inbound demand of foreign tourists visiting Japan.

We generate revenue in our *Rakuten Travel* business primarily through commissions collected from travel and accommodation providers and sales of banner and email advertisements. Our system for domestic hotel room reservations, our largest source of revenue for *Rakuten Travel*, is designed to eliminate room shortages during peak-season periods and increase room bookings during off-season periods by creating an incentive, in the form of lower commission fees, for our hotel partners to allot more rooms for reservation on *Rakuten Travel*. We have also established English language and local language versions of our reservation service for inbound travel to Japan for customers in the United States, Australia, Hong Kong, Taiwan, South Korea, Thailand, Singapore, Malaysia, Indonesia, Philippines and the UK.

Competition

The marketplace for online travel reservations is large and intensely competitive. We believe that factors affecting competitive success include depth and breadth of information, the level of marketing undertaken and incentives provided to acquire and retain travel and accommodation providers and customers, room availability, ease of use, reliability and service.

Consumers are increasingly using the Internet to book reservations directly. As a result, Internet portal operators are also bolstering their travel services in an attempt to boost traffic to their sites. Airlines and hotels also are expanding services that allow customers to make reservations and purchases directly on their websites without any need for a portal service, leading to more intense competition. In addition, travel meta-search engines aggregate pricing and other information from other travel websites, and consumers can purchase travel products and services directly by clicking through to their branded websites through search results or links posted on the travel meta-search engine.

Rakuten Travel competes with Recruit Co., Ltd., which operates Jalan.net, and LY Corporation, which operates Yahoo Travel, both of which are similar travel and accommodation information and a reservation services.

The barriers to entry in this market for Internet-based competitors are relatively limited due to the ubiquity of the Internet and we currently face competition, which may intensify in the future in light of the increasing size of this market from:

- Japanese travel agencies, which have an existing network of users cultivated in part through in-person sales activities and relationships with travel and accommodation providers in Japan, and have the ability to offer a variety of transportation, accommodation and sightseeing packages; and

- Foreign companies with a similar business model to ours, such as Booking Holdings Inc. and Expedia, Inc., which have existing global networks of users and have been making inroads into the Japanese market in recent years in part through efforts to partner with travel and accommodation providers in Japan.

Mobile Messaging and VoIP Business

Overview

Rakuten Viber provides messaging and VoIP services through its smartphone applications.

Our Products and Services

Rakuten Viber

In March 2014, we acquired 100% of the shares of VIBER MEDIA LTD. (currently Viber Media S.a.r.l.), the operator of *Viber*, a global mobile messaging and VoIP application. Using the *Rakuten Viber* smartphone application, *Rakuten Viber* users can send free text messages, photo messages and video messages, share locations with other users, make free high-quality calls to other users on 3G/4G or Wi-Fi connections and call landlines and non-*Viber* users for a fee under the *Viber* Out service. In April 2024, *Rakuten Viber* launched a conversation-summarizing artificial intelligence feature for unread messages in group chats, which offers a seamless and rapid way to distill essential information from up to 100 unread messages in a chat into a concise summary. *Rakuten Viber*'s principal sources of revenue are fees from the *Viber* Out call service, the sale of virtual stickers, games and other services. As of December 31, 2023, *Rakuten Viber* had approximately 1.5 billion IDs, defined as unique phone numbers excluding deactivations globally.

Sales and Marketing

Our sales and marketing efforts include the following:

- Public chats. A social space where one or a group of celebrities can send messages that anyone can see, but to which viewers cannot reply or send messages.
- Marketing events. *Rakuten Viber* holds offline marketing events such as concerts, and also utilizes social promotions to attract young users.
- Providing links between *Rakuten Viber* and Rakuten IDs in Japan. Users can earn *Rakuten Points* through usage of *Rakuten Viber.*

Competition

Rakuten Viber competes with a variety of instant messaging, voice and video communication providers, including WhatsApp, WeChat, LINE, Kakao Talk, Facebook Messenger and Skype.

Other Internet Services Businesses

Overseas e-commerce businesses

We have established several overseas online marketplaces, including:

- *Rakuten Global Market*, which offers shopping services for overseas Rakuten customers.
- *Rakuten France*, operated by Rakuten FRANCE S.A.S., which offers online shopping in France, which joined the Rakuten group after our acquisition in June 2010 of PriceMinister S.A., one of the leading French e-commerce companies.
- *Taiwan Rakuten Ichiba*, operated by Taiwan Rakuten Ichiba, Inc., which offers online shopping in Taiwan.
- *Rakuten Rewards*, previously known as *Ebates*. In October 2014, we acquired Ebates Inc., which operated *Ebates*, a leading membership-based online cash back site in the United States. In order to boost our brand recognition, we re-branded the service as *Rakuten Rewards* and ceased using the *Ebates* brand in February 2019. The site rewards shoppers with cash back on purchases made at third-party retail partners through links on the site while also providing access to thousands of coupons, discounts, promotions and special deals at over 3,500 retailers. In this way, retailers are able to attract new shoppers and retain existing customers to drive traffic to retailer partners. Our principal source of revenue is commissions received from retailer partners on purchases made on their sites by members.

Certain of our overseas marketplaces which were established based on acquisitions of existing online stores offer online shopping on a B2C model, as well as the B2B2C model of *Rakuten Ichiba*.

Our eventual goal is to transition our existing overseas marketplaces to the same B2B2C model as *Rakuten Ichiba* and to establish global marketplaces using a single global ID. Our main sources of revenue for our overseas online shopping malls include direct sales as well as commissions and fees received from merchants participating in our online shopping malls, including fixed monthly basic fees, sales commissions and fees received in return for providing advertising space throughout each website.

Logistics business

In July 2021, we transferred our logistics business to JP Rakuten Logistics, our joint venture with Japan Post Co., in which we own 49.9% of the voting rights and which is our equity-method affiliate. JP Rakuten Logistics generates revenue primarily through service fees paid by merchants. Although each of our merchants is generally responsible for shipment and delivery of its products, we established what is now JP Rakuten Logistics' business in order to support logistics for merchants on *Rakuten Ichiba* by offering services known as *Rakuten Super Logistics* consisting of general fulfillment and logistics services, including value-added services like receiving and shipping of products, storage, inventory control, packing, delivery, customer service, gift services and dealing with returned goods to *Rakuten 24*, *Rakuten Books*, *Rakuten BIC* and *Rakuten Fashion.*

Other E-Commerce and Internet Services Businesses

In addition to *Rakuten Ichiba* and our overseas marketplaces, we conduct the following e-commerce and Internet Services businesses:

Point Rakuten Stocks. On March 5, 2024, we announced the start of *Point Rakuten Stocks* service. In this service, users who have *Rakuten Points* are able to set aside a desired number of *Rakuten Points* via the dedicated "Point Rakuten Share" page from the Rakuten PointClub website, and the allocated *Rakuten Points* increase or decrease in correlation to fluctuations in the stock price of our shares of common stock. This service is intended to provide users with a simulated experience of how it is like to invest in shares of our common stock. Users can set aside a minimum of 100 points to this service, and add additional points in one point increments. The users are able to withdraw points from this service in one point increments, and the withdrawn points can be used to purchase products and services through Rakuten group's online services, including *Rakuten Ichiba*, as well as participating convenience stores, drug stores and restaurants. This service uses point management system of STOCK POINT Inc. that links points with stock price. We began providing this service on a test basis on September 11, 2023, and based on user feedback, began providing this service to all users who have *Rakuten Points* on March 5, 2024.

Rakuten Mart (formerly known as Rakuten Seiyu Netsuper). In October 2018, we launched *Rakuten Seiyu Netsuper*, an online grocery delivery service jointly developed through a strategic alliance with Seiyu GK (currently Seiyu Co., Ltd.), or Seiyu. As part of the strategic alliance, on March 1, 2021, we completed an acquisition of a 20% stake in SY Holdings Co., Ltd. (currently Seiyu Holdings Co., Ltd.), the holding company of the current Seiyu Co., Ltd., which operates supermarkets, shopping centers and department stores in Japan, from Walmart Inc. On May 12, 2023, our board of directors resolved to sell all of the shares of common stock of Seiyu Holdings Co., Ltd. that we held to SY Investment L.P., which is a subsidiary of KKR & Co. Inc., and on May 31, 2023, the sale of such shares to SY Investment L.P. was completed. On December 20, 2023, we announced our intention to make *Rakuten Seiyu Netsuper* our wholly owned subsidiary, which has since been completed. For the transition period that followed, we continued to operate *Rakuten Seiyu Netsuper* and its fulfillment centers, while Seiyu transitioned to operating a stand-alone online supermarket business with shipments delivered from its physical stores. Subsequently, on January 10, 2024, we announced that, following our announcement of and as a result of such change, we recognized an indication of impairment, and, based on our impairment test, expect to be required to recognize an impairment of the assets of *Rakuten Seiyu Netsuper*. An impairment loss of ¥15,922 million was recorded for the year ended December 31, 2023. On August 7, 2024, we announced that Rakuten Seiyu Netsuper, Inc. has been renamed Rakuten Mart, Inc. effective August 8, 2024. On September 25, 2024, we launched the online grocery delivery service under the name "*Rakuten Mart*". See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Recent Developments—Impairment of *Rakuten Mart*."

We believe that this business has significant potential, and, following these events, we seek to improve profitability of this business as soon as possible and are planning to implement a number of related initiatives, such as:

- acquire new customers through further utilization of the Rakuten Ecosystem and expansion of *Rakuten Mart* service's business area;
- increase the number of transactions and overall transaction value through the introduction of customer development drivers such as hit products and categories;
- improve gross profit margins by reviewing and enhancing product lineups; and
- improve delivery efficiency through the restructuring of logistics networks based on profitability.

Rakuten Rakuma. In November 2014, we launched *Rakuma*, a flea market smartphone app that enables transactions directly between individuals, intended to appeal to younger users and expand the online used goods market, complementing the operations of *Rakuten Auction*. In March 2016 we launched a version of *Rakuma* in Taiwan, and in February 2018, we merged our existing *Rakuma* app in Japan, which was used by a broad range of men and women in the 30s age range, with *FRIL*, a separate consumer-to-consumer marketplace mobile app that we acquired in September 2016, which was more popular among women in the teenage and 20s age brackets due to its focus on fashion and beauty products, and debuted new *Rakuma* branding. The integration allows us to provide users with a more diverse lineup of products while enhancing safety and security through the combined platform's capabilities for detecting listings of illegal items. In April 2024, *Rakuten Rakuma* began operating *Rakuten Brand Mall*, a site within *Rakuten Rakuma* that specializes in luxury brands and other popular brands. Through *Rakuten Brand Mall, Rakuten Rakuma* users can easily search for brand items posted by domestic second hand retailers. In May 2024, *Rakuten Rakuma* began listing products on eBay.com from select Rakuma Official Shops on a trial basis, which allows users of eBay.com to purchase a variety of re-use items listed on Rakuma Official Shops. In September 2024, *Rakuten Rakuma* joined the Association Against Counterfeit Product Distribution (AACD) as an official member to further create an environment in which users can safely enjoy shopping on *Rakuten Rakuma*.

Books Business. *Rakuten Books* is an online bookstore that sells books, magazines, CDs, DVDs, videogames and PC software and accessories. Customers can view our best sellers list to see what others are reading. In addition, customers can search for book titles by author or by publisher. Unlike many of our other e-commerce services, we maintain our own inventory for most of the books we sell through our *Rakuten Books* service. However, under agreements with publishers and suppliers, we are generally allowed to return our inventory to them without expenses. In March 2016, we launched *Readee*, a reading management app for smartphones, that enables users to record and manage books they want to read, and in April 2016, we launched *Rakuten Manga*, an e-comic service for smartphones that allows users to read both individual issues and volumes of e-comic titles through the *Rakuten Manga* store.

Rakuten Advertising. As the first major step in our strategy of developing our overseas e-commerce businesses, in September 2005 we indirectly acquired 100% of the shares of LinkShare Corporation, a leading U.S. pay-for-performance affiliate marketing company, and later rebranded the company *Rakuten Advertising*. In May 2010, we added to our affiliate marketing network by acquiring LinkShare Japan K.K. In 2014 we integrated *Rakuten LinkShare* services with our other related global marketing services to form *Rakuten Affiliate Network*, which we operate through Rakuten MARKETING LLC, a wholly owned subsidiary of Rakuten USA, Inc. *Rakuten Affiliate Network* has been named as the number one affiliate network for the last twelve consecutive years in the affiliate network survey conducted by mThink in 2023.

Rakuten Affiliate Network generates the majority of its revenue from network fees collected from merchants based on the volume and dollar amount of the transactions generated through links with affiliates. *Rakuten Affiliate Network* also generates revenue from merchants through license fees, marketing consulting fees and affiliate search fees. Other *Rakuten Advertising* businesses include *Rakuten LinkShare*, which provides affiliate marketing services in Japan, *Rakuten Search,* which provides paid search marketing services, *Rakuten Display*, which provides display advertising services and *Rakuten Attribution*, which provides attribution modeling and analytics services.

Rakuten Data Marketing. In October 2017, in partnership with Dentsu Inc., *Rakuten Data Marketing* launched a service that offers marketing solutions that integrate Rakuten group's big data and Dentsu Group's data and mass media expertise. *Rakuten Data Marketing* harnesses the Rakuten group's broad membership base and big data, combining this with the Dentsu Group's data and insights relevant to mass media and consumers and its strategy-building knowhow, in order to provide comprehensive digital marketing solutions that allow optimization and maximize the effectiveness of marketing activities. In April 2018, *Rakuten Data Marketing* launched an online-to-offline marketing solution called "RMP (Rakuten Advertising Platform)—Go! Spot." RMP—Go! Spot utilizes various channels and Rakuten ID-based data to make possible location-targeted advertisements designed to inform users of special offers and campaigns taking place at brick-and-mortar stores in their vicinity. The effectiveness of the promotions can then be measured by visitor numbers or other data gathered at the store. Grounded in analysis of big data gleaned from Rakuten's points rewards app "Point Screen" and the store visitation points rewards app "Rakuten Check," the new service facilitates effective promotional campaigns and provides insights into users' offline activity that can contribute to improving online-to-offline marketing strategies.

R-Influencer Insight. In September 2018, Rakuten Insight, Inc., or *Rakuten Insight*, launched "R-Influencer Insight," a research service which utilizes influencers on social media services to enable companies to receive direct feedback on their services, products and projects through interviews and behavior observation surveys with influencers. Through this service, *Rakuten Insight* creates interview questions and designs the surveys, analyzes the collected data and provides reports for client companies to use in product planning and the creation of marketing plans.

Rakuten AdRoll. In October 2018, we established Rakuten AdRoll K.K., or *Rakuten AdRoll*, a joint venture with AdRoll Group. *Rakuten AdRoll* combines Rakuten's big data with AdRoll Group's expertise at data-driven advertising.

Innovator Marketing. In October 2018, *Rakuten Insight* launched Innovator Marketing, a comprehensive survey solution that utilizes analytics data derived from approximately 99 million Rakuten IDs (which has increased to approximately 145.4 million Rakuten IDs as of September 30, 2024). The program is based on Innovator Theory, which classifies consumers into five groups according to the degree of interest they have in new products or information. By combining subjective "perception data" obtainable from surveys, a mainstay of marketing research to date, with objective "behavior data" obtainable from careful analysis of consumption behavior patterns available based on Rakuten ID, this new solution provides a method for classifying survey monitors with a greater degree of accuracy than previously possible and conducting surveys, analysis, and consulting.

Rakuten SQREEM. In February 2020, we announced the establishment of Rakuten SQREEM, Inc., a joint venture with SQREEM Technologies Pte. Ltd. that seeks to provide advertising companies located in Japan with marketing solutions built on AI-based behavioral pattern analysis.

Rakuten Tokyu Planning Co., Ltd. In August 2020, we announced the establishment of Rakuten Tokyu Planning Co., Ltd., a joint venture with Tokyu Corporation that will provide data marketing solutions to companies in Japan.

Golf Business. *Rakuten GORA* is the leading online golf tee time reservation service in Japan based on GTV. Golfers can visit the *Rakuten GORA* Internet website and learn about golf courses throughout Japan and the United States and make reservations online or by using the *Rakuten GORA* smartphone application. People interested in learning how to play golf can join one of the many golf academies advertised through *Rakuten GORA*. *Rakuten GORA* has also developed an application for wearable devices that allows users to easily record their score during play.

Coupon Business. *RaCoupon, Rakuten Coupon Service* is an e-commerce site which sells online discount coupons which can be used for the various services of the Rakuten group.

Rakuten Ragri. In April 2017, we launched *Rakuten Ragri*, an Internet-based community-supported agriculture service in partnership with Telefarm Co., Ltd., a Rakuten group company. *Rakuten Ragri* connects consumers with producers of pesticide-free, pesticide-reduced and other agricultural produce. *Rakuten Ragri* provides a new framework for the agriculture market through which producers plant crops based on pre-paid orders placed by consumers for specific produce, which facilitates planned production and revenue stabilization. In March 2018 we announced a partnership with Tanita Corporation to develop original menus and products using vegetables provided by *Rakuten Ragri* for

Tanita's "TANITA CAFÉ" business, and in June 2018 we established a prepared salad factory in Ehime, Japan that uses *Rakuten Ragri*'s organic vegetables for prepared salads that are distributed throughout Japan.

Rakuten Super English. In April 2017, we launched *Rakuten Super English*, a comprehensive English learning service utilizing technology to provide practical English education. *Rakuten Super English* offers the "Lingvist" language learning software developed by Lingvist Technologies OÜ and the English learning app "Maname" provided by ReDucate, a Rakuten group company. Both software are designed based on adaptive learning algorithms to allow users to effectively acquire English vocabulary.

Rakuten LIFULL STAY. In June 2017, in partnership with LIFULL Co., Ltd., we established Rakuten LIFULL STAY, Inc., a vacation rental business in Japan that provides a platform for connecting owners of unoccupied homes or rooms who are looking to provide accommodation with prospective renters. In the following years, we have entered into several partnerships with vacation rental platforms in other countries to provide Japanese property listings to foreign users on other platforms and increase demand for Japanese properties.

In August 2017, we expanded the scope of our operations by launching LIFULL HOME's Monthly, a site focused on monthly rental apartments, and in November 2017, we launched *Rakuten STAY*, a comprehensive branding and operational support service for property owners that provides ongoing property management services. In June 2018, we opened Vacation STAY, a vacation rental and accommodation booking site. Through Vacation STAY, guests can make reservations at vacation rentals and shared accommodation that have been registered by individuals or organizations. In September 2018 we announced a business collaboration with Showa Leasing Co., Ltd. to develop *Rakuten STAY* accommodation facilities that will operate as shared accommodation for guests traveling in a group, with family or friends, and we also partnered with SOHGO SECURITY SERVICES CO., LTD., or ALSOK, to jointly develop vacant home-usage services with the aim of promoting the utilization of unused assets such as unoccupied homes and holiday villas as vacation rental properties.

Rakuten Direct. In July 2017, in order to realize improved efficiency in logistics infrastructure and information systems and to expand the range of products offered and further improve customer service, we merged *Kenko.com*, an e-commerce site specializing in the sale of daily life items and health products, with Soukai Drug Co., Ltd., an Internet-based seller of a wide range of household products that we acquired in October 2016, to form Rakuten Direct, Inc. (which was merged into Rakuten, Inc. as part of the corporate reorganization implemented on April 1, 2019).

Rakuten CarShare. On March 1, 2022, we launched a car sharing reservation service *Rakuten CarShare* in collaboration with ORIX Auto Corporation, operator of ORIX CarShare, a major car sharing service in Japan. *Rakuten CarShare* allows customers to select a vehicle model and plan of their choice to suit their destination and schedule. By using their Rakuten ID, customers can access everything from booking to payment at any of the nearly 1,700 ORIX Auto car stations across Japan.

Digital comics. On June 14, 2022, we announced that we have partnered with Toon Cracker Co., Ltd., or Toon Cracker, and will enter the vertically scrolling full-color digital comics for smartphones business. We and Toon Cracker aim to collaborate on the planning and production of original vertically scrolling full-color digital comics, domestic and worldwide distribution, and the procurement and localization of comics produced outside of Japan. We launched our digital comic book distribution service, named "R-Toon", in the autumn of 2023. The content produced will be available for integration into the many services within the Rakuten Ecosystem.

Rakuten Music is a music service we launched in August 2016 that offers music streaming for a fixed rate through a smartphone app. *Rakuten Music* was designed as a "one-stop music service" allowing users to listen to and buy music seamlessly. The app also contains community functions allowing users to recommend their favorite songs, and playlists will automatically optimize to each user's tastes based on listening habits. *Rakuten Music* offers a Standard Plan with unlimited streaming for ¥980 per month, or ¥9,300 per year, along with a variety of plans at discounted prices to cater to the specific needs of each user.

Rakuten TV is a video-on-demand streaming service that offers movies and television series for subscription, rental and purchase. Although the content portfolio for *Rakuten TV* varies according to region, the service can be accessed in Japan, the United States and a selection of other countries across

Europe and Southeast Asia. As part of its content portfolio, *Rakuten TV* includes a selection of original content developed by our filmmaking business that is intended to further reinforce synergies among our offerings, such as a documentary about Andres Iniesta, a player on our Vissel Kobe professional soccer team. Additionally, in June 2020 we announced support for offline/online hybrid live events through a collaboration between *Rakuten TV* and *Rakuten Ticket* in order to respond to changes in customer demand during the COVID-19 pandemic. On April 20, 2021, we announced that we entered into a broad long-term agreement with ViacomCBS Networks International, a unit of ViacomCBS Inc., which includes the launch of Nick+, Nickelodeon's kids' streaming service, on our video-on-demand platform *Rakuten TV* in Japan, covering mobile, STB/dongle, web and Smart TV devices. The partnership also includes the creation of a dedicated Nickelodeon zone on *Rakuten Ichiba*.

Rakuten Ticket. On September 30, 2021, we announced that we will partner with the SKIDATA Group in order to provide a completely contactless, one-stop check-in solution that integrates the sales of tickets through *Rakuten Ticket*, our ticket reservation and sales website, with venue admission management solutions that we provide. In July 2024, *Rakuten Ticket* launched *Rakuten Ticket mini*, an easy and intuitive self-onboarding platform that enables event organizers to quickly set up and manage ticket sales for events. *Rakuten Ticket mini* allows users to manage everything from ticket sales to revenue and entry. By simply registering event details, ticket information and the event page publication date, event organizers can immediately start selling tickets through *Rakuten Ticket*.

Rakuten Viki is a global video-on-demand service providing popular subtitled television dramas and movies and other premium programs streaming free of charge. *Rakuten Viki*'s principal source of revenue is fees from advertising sold against its video content, though it also syndicates select content to partners such as Hulu and Netflix. In June 2019 we launched *Rakuten Sports*, a live streaming and video-on-demand service operated by VIKI, Inc. that allows users outside of Japan to watch Japan Professional Football League, or J.League, soccer matches.

Rakuten NFT. On February 25, 2022, we launched the non-fungible token, or NFT, marketplace and sales platform *Rakuten NFT*, a service that provides a marketplace for users to purchase NFTs, as well as peer-to-peer buying and selling of NFTs, in a range of areas such as sports and entertainment, including music and anime. It also features a unique, one-stop platform which enables IP holders to build their own website for issuing and selling NFTs. Rakuten ID can be used when making purchases, allowing users to earn and spend *Rakuten Points*. A service for peer-to-peer issuing and selling of NFT content launched in 2023, which supports IP holders in Japan and worldwide to issue NFTs, as well as spur further development of a global market for NFTs.

Professional sports business

Overview

We operate and manage the Tohoku Rakuten Golden Eagles, a Japanese professional baseball team. In addition, we acquired a professional soccer team, Vissel Kobe, in January 2015.

In November 2004, we were awarded franchise rights by Nippon Professional Baseball, the organization governing Japan's professional baseball leagues, to found the first newly-established team in more than 50 years. Rakuten Baseball, Inc., our wholly owned subsidiary, manages operations for the Tohoku Rakuten Golden Eagles, who are based in the city of Sendai, Miyagi Prefecture, and are the first professional baseball team in the Tohoku region of northeastern Japan.

We believe the establishment of a professional baseball team has been beneficial for our operations as a whole. Operating the team has raised public recognition and media coverage of our brand and services in the general public, including among demographic groups that may have had relatively little familiarity with IT venture companies such as us. As a result, we believe we have added a significant number of new customers throughout our operations.

Our products and services

We derive revenue from our professional sports business primarily through ticket sales and sponsorship marketing. We also sell broadcasting rights for our games, sell Tohoku Rakuten Golden Eagles merchandise and operate the stadium used by the Tohoku Rakuten Golden Eagles.

In April 2017, we entered into a partnership with J.League to be the official e-commerce platform partner. Through this partnership, we designed the "J.League Online Store," an e-commerce site for selling the league's merchandise, and we have continued to provide support for its operations.

In September 2017, we entered into a multi-year partnership with the Golden State Warriors, a leading team in the National Basketball Association, or NBA. Beginning in the 2017-2018 NBA season, all Warriors jerseys include the Rakuten badge logo, which further enhances our brand development efforts in the United States market. As part of the partnership, Rakuten became the official e-commerce partner and affiliate marketing partner of the Warriors. We built on this partnership in October 2017 by becoming the NBA's exclusive distribution partner in Japan for all live NBA games. On May 23, 2022, we renewed our multi-year partnership with the Golden State Warriors. In September 2019, Rakuten reached an agreement to acquire the Taiwanese baseball team Lamigo Monkeys, which we subsequently renamed to Rakuten Monkeys.

FinTech Segment

Overview

Our FinTech segment operates our online financial services, including our own Rakuten-branded credit card, digital banking services, online brokerage services, insurance services, electronic payments and crypto asset trading services.

The FinTech segment contributed 33.5%, 30.9% and 31.5% of our consolidated revenue before intersegment eliminations for the years ended December 31, 2021, 2022 and 2023, respectively and 33.4% of our consolidated revenue before segment eliminations for the nine-month period ended September 30, 2024. Its revenue before intersegment eliminations was ¥619,048 million, ¥651,944 million and ¥725,165 million for the years ended December 31, 2021, 2022 and 2023, respectively, and ¥604,383 million for the nine-month period ended September 30, 2024.

Our businesses operate on a collaborative business model whereby the broad exposure of *Rakuten Ichiba* encourages customers to use *Rakuten Card*, which in turn helps to promote their purchasing activities on *Rakuten Ichiba*. Concurrently, users of *Rakuten Card* tend to deposit their cash in *Rakuten Bank*, which can then provide low-cost funding through securitization for *Rakuten Card*.

Effective on November 1, 2023, we completed the internal restructuring of our FinTech segment, whereby the *Rakuten Pay* (online payments) business and *Rakuten Points* (online) business, which were included in the Internet Services segment, were transferred to our consolidated subsidiary, *Rakuten Payment*, via a company split. In addition, with an effective date of November 1, 2023, all shares of *Rakuten Payment* held by Rakuten Group, Inc. (95.28% of the total number of issued shares of *Rakuten Payment*), were transferred to *Rakuten Card*.

Memorandum of Understanding Regarding Reorganization of Fintech Businesses and the Subsequent Cancellation

On April 1, 2024, we and *Rakuten Bank* announced our agreement to initiate discussions for the potential reorganization of certain of our FinTech businesses, including *Rakuten Bank*, *Rakuten Card*, *Rakuten Securities Holdings* (and its subsidiaries, such as *Rakuten Securities* but not *Rakuten Wallet*) and *Rakuten Insurance Holdings* and our execution of a memorandum of understanding regarding the reorganization.

We and *Rakuten Bank*'s initial expectation was that the reorganization would become effective in October 2024. However, on July 29, 2024, we and *Rakuten Bank* announced that the revised target date for the reorganization to take effect would be January 2025. Subsequently, on September 30, 2024, we announced that both we and *Rakuten Bank* have concluded that the reorganization is not necessarily the best option to achieve further expansion of our FinTech Ecosystem and enhancement our competitive advantage, and therefore, both parties agreed to cancel the reorganization.

Credit Card Business

Overview

We provide credit card services to Rakuten members through our *Rakuten Card* business, which is operated by our wholly owned subsidiary Rakuten Card Co., Ltd. We established our credit card business with our purchase of Kokunai Shinpan Co., Ltd (subsequently Rakuten KC Co., Ltd.) in June 2005. In August 2011,

the *Rakuten Card*-related businesses operated by Rakuten KC Co., Ltd. were succeeded by Rakuten Credit, Inc. (currently Rakuten Card Co., Ltd.), and subsequently the shares of Rakuten KC Co., Ltd. were sold.

The following table shows shopping transaction value, including transactions outside of the Rakuten group, either online or offline, shopping revolving balance and cash advances for our *Rakuten Card* business, as of the dates and for the periods indicated.

	As of and for the year ended December 31,					As of and for the nine-month period ended September 30,
	2019	2020	2021	2022	2023	2024
	(in billions of yen)					
Rakuten Card shopping transaction value	¥ 9,456.8	¥ 11,469.1	¥ 14,452.3	¥ 18,174.6	¥ 21,147.6	¥ 17,490.4
Rakuten Card shopping revolving balance	614.0	619.8	611.9	620.2	641.0	659.7
Rakuten Card cash advances	135.4	119.7	119.3	128.9	144.3	152.9

During the twelve-month period ended July 31, 2023, *Rakuten Card* shopping transaction value exceeded ¥20 trillion for the first time, and the number of *Rakuten Cards* issued (including multiple cards to the same cardholder) reached approximately 31.4 million cards as of September 30, 2024.

In the year ended December 31, 2023 and the nine-month period ended September 30, 2024, revenue of our credit card business contributed 43.7% and 41.1%, respectively, of our FinTech segment revenue.

Our Products and Services

Rakuten Card was ranked as among the top three credit cards for the fifteenth consecutive year in the annual Japanese Customer Satisfaction Index Survey published on March 21, 2024, one of Japan's largest surveys of consumer satisfaction compiled by Japan Productivity Center and The Council of Service Productivity & Innovation for Growth. In addition to offering standard and premium credit cards under international brands like MasterCard, Visa and JCB, we offer special purpose cards such as cards for students, cards that also can be used as cash cards for accounts held by our *Rakuten Bank* customers, cards affiliated with our professional sports teams and cards for the electronic toll collection system for Japanese expressways. In June 2014, *Rakuten Card* established Taiwan Rakuten Card, Inc. and, in January 2015, began issuing its own credit card outside of Japan for the first time. In December 2015, we began issuing a new version of *Rakuten Card* that contained integrated functions from our *Rakuten Point Card* and *Rakuten Edy* e-money services, providing increased convenience to customers by no longer requiring them to use multiple cards to complete transactions and to earn *Rakuten Points* regardless of whether they choose to pay by credit card, e-money or cash. In September 2016, we began issuing the Rakuten Gold Card, a version of *Rakuten Card* with a ¥2,200 annual membership fee. In October 2016, we brought *Rakuten Card* to Apple Pay, allowing customers that complete purchases using Apple Pay to continue to receive *Rakuten Points*, and introduced similar functionality to Android Pay in December 2016. In September 2018, we began issuing the *Rakuten Card* American Express Card, which enables cardholders to enjoy the services and features of *Rakuten Card* as well as the complementary benefits and campaigns available through the American Express network.

Sales and Marketing

We have made efforts to take advantage of the Rakuten brand and our group resources to market and develop our *Rakuten Card* business. Our marketing efforts include:

- Including links in our group websites to attract new consumers. For example, our *Rakuten Ichiba* homepage promotes *Rakuten Card* and provides direct links to the service. *Rakuten Card*'s share of the *Rakuten Ichiba* GMS, calculated by dividing the GMS for *Rakuten Ichiba* paid for with *Rakuten Card* by the total GMS for *Rakuten Ichiba* for the applicable period, was 70.0%, 71.0% and 70.2% for the months ended December 31, 2021, 2022 and 2023, respectively.

- Providing incentive programs through point systems that consumers can use throughout our group. Our *Rakuten Card* customers accumulate *Rakuten Points* which they can use towards purchases on *Rakuten Ichiba* and other group services in our Rakuten Ecosystem. In addition, purchases made by *Rakuten Card* on *Rakuten Ichiba* earn additional *Rakuten Points* that do not have any expiration

date representing 1% of the amount of the purchase with no monthly upper limit and yet additional *Rakuten Points* with an expiration date representing another 1% of the amount of the purchase up to 1,000 points per month for regular cardholders and 5,000 points per month for holders of *Rakuten Premium Cards*.

- Offering special incentives that are exclusive to *Rakuten Card* holders, such as the *Rakuten Card* Lounge in Waikiki, Hawaii that was opened in August 2017. This airport lounge offers baggage storage services, welcome drinks, massage chairs, a play area for children and various other amenities free of charge to cardholders.

Competition

Our *Rakuten Card* service faces significant competition in Japan's consumer credit industries from large Japanese consumer finance companies, a number of major Japanese banks, Japanese subsidiaries of foreign financial institutions, Japanese Internet companies that have entered into the consumer finance industry by acquiring existing consumer finance companies, bank-affiliated credit card companies, retailer-affiliated credit card companies and shopping credit companies that issue credit cards, such as Mitsubishi UFJ NICOS Co., Ltd., Sumitomo Mitsui Card Company, Limited, Credit Saison Co., Ltd. and AEON Bank, Ltd.

Strategic Capital and Business Alliance between Rakuten Card and Mizuho Financial Group, Inc. and Business Alliance Among Rakuten Group, Rakuten Card, Mizuho Financial Group, Mizuho Bank, UC Card and Orient Corporation

On September 30, 2024, we announced that *Rakuten Card* and Mizuho Financial Group, Inc. agreed to consider a new strategic capital and business alliance. Further to this announcement, Rakuten Group and Mizuho Financial Group concluded a share sale agreement on November 13, 2024, pursuant to which Mizuho Financial Group agreed to purchase 14.99% of the outstanding shares of *Rakuten Card* for a purchase price of ¥164,997 million, as well as a related shareholder agreement in respect of the shares of *Rakuten Card*. This purchase was completed on December 1, 2024. We expect that *Rakuten Card* will continue to be a consolidated subsidiary of Rakuten Group, Inc. Rakuten Insurance Holdings Co., Ltd., previously a 100% consolidated subsidiary of *Rakuten Card*, will not be included in the alliance and its shares have been transferred to Rakuten Group, Inc. To further accelerate the growth of *Rakuten Card*, which is the core business of our FinTech segment, we aim to enhance our collaboration with Mizuho Financial Group, Inc. We expect that this will allow us to pursue growth opportunities not only in the robust consumer sector but also in the corporate sector, which we expect to expand in the future. By deepening and expanding our partnership with Mizuho Financial Group, Inc., we believe we can leverage its broad customer base to expand the business of and achieve sustainable growth for *Rakuten Card*, as well as further expand and develop the entire Rakuten FinTech Ecosystem centered around *Rakuten Card*, thereby enhancing our corporate value. After the alliance, we expect that there will be no change in the positioning of *Rakuten Card* as an important consolidated subsidiary in our Rakuten Ecosystem.

In connection with this transaction, on November 13, 2024, Rakuten Group, Inc., *Rakuten Card*, and Mizuho Financial Group, Inc., Mizuho Bank, Ltd., UC Card Co., Ltd. and Orient Corporation, announced the formation of a business alliance that aims to transform Japan's digital payment landscape. Since November 9, 2023, when *Rakuten Securities Holdings* and Mizuho Securities further strengthened their strategic capital and business alliance, Rakuten Group and Mizuho Securities have worked to create new, innovative retail business models in the asset building and asset management fields, combining their financial expertise and leveraging the strengths of their FinTech solutions. Building on the momentum of this productive partnership, we and Mizuho Financial Group have decided to leverage the strengths of six key companies to develop new, highly convenient retail business models in the increasingly competitive payments industry that will strengthen customer loyalty and develop solutions that meet the needs of affiliate stores. Together, the partners in this alliance aim to provide customers with more convenient and affordable shopping experiences while also offering services that help affiliate stores attract new customers and boost sales. The initiatives currently under consideration include Mizuho Bank and *Rakuten Card*'s plan to issue co-branded credit card in December 2024, which will allow users to earn *Rakuten Points* and enjoy benefits for ATM fees, and the collaboration among Rakuten group companies, Mizuho Financial Group companies and Orient Corporation to streamline common operations such as acquiring and back-office tasks in their credit card businesses to achieve even higher value-added services.

Digital Banking Business

Overview

We conduct our digital banking business, *Rakuten Bank*, through Rakuten Bank, Ltd., our banking subsidiary. We established our digital banking business with our purchase of eBANK Corporation (currently Rakuten Bank, Ltd.) in February 2009. As a digital bank focusing on payment, asset management and borrowing needs of individual customers, *Rakuten Bank* offers a variety of products and services including yen and foreign currency deposits and mortgages and other individual loans. On April 21, 2023, *Rakuten Bank* completed its IPO on the Tokyo Stock Exchange and, as a result of the IPO and subsequent sale of *Rakuten Bank*'s shares in December 2023, we now own 49.27% of its issued and outstanding shares of common stock. As of December 31, 2023, *Rakuten Bank* had over 14.7 million accounts and an aggregate customer account balance of ¥10.3 trillion on a standalone basis. On July 29, 2024, the number of customer accounts at *Rakuten Bank* surpassed 16 million accounts, and on August 1, 2024, the aggregate amount of customer account balance at *Rakuten Bank* surpassed ¥11 trillion. The foregoing figures are prepared on a *Rakuten Bank* consolidated basis, except that they do not include the results of Rakuten International Commercial Bank Co., Ltd., which is a joint venture of *Rakuten Bank* in Taiwan and, beginning in the three-month period ended June 30, 2020, became *Rakuten Bank*'s consolidated subsidiary, which is consistent with the contribution of *Rakuten Bank* as recorded in the results of our FinTech segment.

In the year ended December 31, 2023 and for the nine-month period ended September 30, 2024, revenue of our banking business contributed 17.6% and 19.3%, respectively, of our FinTech segment revenue.

International Operations

In January 2017, we launched commercial banking operations in Europe through Rakuten Europe Bank S.A. We are currently focused on providing payment, deposit and loan services, but we plan to expand our banking platform in Europe and offer banking services to new and high-growth FinTech businesses across the region.

In January 2019, we formed a joint venture with Waterland Financial Holdings Co., Ltd. (currently IBF Financial Holdings Co., Ltd.) to start a banking operation in Taiwan by proceeding with acquiring the necessary regulatory approvals from local authorities. The joint venture, Rakuten International Commercial Bank Co., Ltd., completed its registration in May 2020 and began operations in January 2021.

Our Products and Services

Deposit products and remittance services

Rakuten Bank offers yen and foreign currency deposit products. Yen deposit products include ordinary deposits and time deposits. Foreign currency deposit products, which are offered in seven currencies, include ordinary deposits, time deposits and time deposits with forward exchange and other features.

As a digital bank, *Rakuten Bank* does not have the high fixed costs associated with maintaining a network of physical branches, which enables it to offer its accountholders interest and exchange rates closely tied to prevailing market rates and competitively-priced transaction fees. For example, *Rakuten Bank* currently offers remittance services from Japan to over 230 foreign countries for ¥750 to ¥4,750 per transaction in 67 types of currencies, a rate which we believe is highly competitive compared to those offered by other Japanese banks.

Rakuten Bank Super Loans

Rakuten Bank offers users loans of up to a maximum of ¥8 million through its *Rakuten Bank* Super Loan service. After applying online and being approved for a Super Loan card, customers can use the card at ATMs at convenience stores to withdraw cash directly or transfer money using their computer or mobile phone directly to their bank account. Repayment can be arranged on a monthly payment term. The main customers for *Rakuten Bank* Super Loans are higher-income retail customers. Interest rates vary depending on the maximum amount available to a given customer, ranging from 1.9% to 14.5%. As of September 30, 2024, there were 907,761 Super Loan customers, and the balance of Super Loans receivables was ¥335.0 billion.

The balance of loans receivable at *Rakuten Bank* as of December 31, 2023 was ¥3,932.9 billion, an increase of 11.1% compared to one year earlier.

Housing loans

In 2013, *Rakuten Bank* also began offering customers housing loans. *Rakuten Bank* borrowers can complete all steps of the borrowing process, including initial consultation, loan application and contract execution, without having to visit a bank branch. In addition, subject to certain restrictions, borrowers may be able to structure *Rakuten Bank*'s mortgage loans to include multiple variable-rate and fixed-rate periods over the term of repayment, and eligible borrowers who wish to accelerate repayments may do so at any time and as often as they like. Borrowers may also alternate their existing payment obligation from variable-rate to fixed-rate at any time. *Rakuten Bank*'s low-cost structure and high operating efficiency as a digital bank allow it to offer highly competitive interest rates with no mandatory guaranteed fees.

Business loans

In August 2016, *Rakuten Bank* began offering business loans for companies and sole proprietors that have a *Rakuten Bank* savings account, provide a specified level of collateral and submit financial statements or income tax returns for three quarterly periods in addition to meeting certain other required standards. *Rakuten Bank*'*s* business loans provide working capital and equipment capital for a borrowing period of up to five years in principle. Interest rates on *Rakuten Bank* business loans can be fixed or floating, with elevated rates for late payments.

Investment products

Rakuten Bank offers investment products such as investment trusts as well as securities in cooperation with *Rakuten Securities.* Investment trust products include products such as Japanese yen and foreign currency money market funds, as well as yen-denominated investment trusts that invest in Japanese government and corporate bonds, foreign government and corporate bonds, Japanese stock indices, foreign stock indices, Japanese stocks, foreign stocks and other assets. The investment trusts offered by *Rakuten Bank* are created and managed by *Rakuten Securities* and other third-party financial institutions.

Other Products and Services

To complement its deposit products, remittance services, loan services and investment products, *Rakuten Bank* also offers the following products and services targeted at the asset management and borrowing needs of consumers:

- *Mobile Banking Services*. Accountholders can access their accounts using the *Rakuten Bank* mobile application available on both iOS and Android mobile operating systems as well as on feature phones and conduct banking transactions including confirming balances and viewing account statements and making transfers, including remittances to friends over Facebook and/or email. Additionally, in September 2016 we launched "Transfer by *Viber*," a money transfer service that enables money transfers to anyone on a user's *Rakuten Viber* contact list from the *Rakuten Bank* app and does not charge transfer fees when sending money to a *Rakuten Bank* account that is linked to a *Rakuten Viber* account.

- *ATM Services*. *Rakuten Bank* does not own or operate its own ATMs, but has entered into agreements with a number of third-party financial institutions under which its accountholders may use ATMs owned and operated by those institutions. *Rakuten Bank*'s accountholders can withdraw and deposit cash, transfer funds and conduct other transactions through ATMs located throughout Japan, including ATMs operated by JAPAN POST BANK Co., Ltd., Seven Bank, Ltd. (including ATMs located in Seven Eleven Japan convenience stores, as well as in retail stores operated by Seven and I Holdings Co., Ltd.), E-net Co. (including ATMs located in FamilyMart convenience stores), LAWSON ATM NETWORKS, Inc. (including ATMs located in Lawson convenience stores), MUFG Bank, Ltd., Mizuho Bank, Ltd. and AEON Bank, Ltd. (including ATMs located in retail stores of AEON Co., Ltd.), PatSat Station ATMs installed at Hankyu Railway stations, Hanshin Electric Railway stations, Kita Osaka Express Railway stations, Kobe Municipal Subway stations, Nankai Electric Railway stations, Semboku Rapid Railway stations and Osaka Metro stations. *Rakuten Bank*'s accountholders can also withdraw and confirm their account balances at VIEW ALTTE ATMs, which are installed at many East Japan Railway Company, or JR East, stations as well as certain branches of BIC CAMERA and LUMINE.

- *Other Individual Loans*. In addition to its Super Loan services, *Rakuten Bank* also offers special purpose loans to individuals including travel loans, education loans and loans for wedding expenses.

- *JRE BANK*. In May 2024, *Rakuten Bank* launched JRE BANK in collaboration with JR East Group, as part of our BaaS initiatives. This service provides internet banking services to JR East Group customers through a smartphone application. Users can open *Rakuten Bank* accounts and access various financial services including deposits, transfers, investment trusts, foreign exchange, credit cards, and loans. The service offers special benefits for JR East customers, such as discount coupons for JR East train tickets based on account balance and JRE points for using the service.

Sales and Marketing

We have made efforts to take advantage of the Rakuten brand to market and develop our *Rakuten Bank* business. Our marketing efforts include:

- Including links in our group websites to attract new consumers. For example, our *Rakuten Ichiba* homepage currently promotes *Rakuten Bank* and provides a direct link to *Rakuten Bank*.

- Providing incentive programs through point systems that consumers can use throughout our group. For example, by linkage between *Rakuten Bank* accounts and Rakuten IDs, customers can accumulate *Rakuten Points* from transactions and assets at *Rakuten Bank*. *Rakuten Points* can be used towards commissions at *Rakuten Bank,* purchases on *Rakuten Ichiba* and other group services in our Rakuten Ecosystem. In addition, if a *Rakuten Bank* accountholder is also a *Rakuten Card* user and uses his or her *Rakuten Bank* account for automatic settlement of *Rakuten Card* balances, the accountholder becomes eligible to receive *Rakuten Points* (with an expiration date) on purchases made at *Rakuten Ichiba* using *Rakuten Card*, in an amount equal to 0.3% of the amount purchased at *Rakuten Ichiba.* If the accountholder also designates his or her *Rakuten Bank* account to receive salary, bonus, or pension payments, the accountholder becomes eligible to receive additional *Rakuten Points* (with an expiration date) in an amount equal to 0.2% of the amount purchased at *Rakuten Ichiba* using *Rakuten Card*, for a combined total of 0.5% of the amount purchased at *Rakuten Ichiba* using *Rakuten Card*, up to 1,000 points per month.

- *Money Bridge*, an intra-group settlement system linking *Rakuten Bank* and *Rakuten Securities* accounts, makes investment through *Rakuten Securities* easier and faster for *Rakuten Bank* accountholders. *Rakuten Bank* offers higher interest rates on ordinary deposits to *Money Bridge* accounts.

Competition

Rakuten Bank faces significant competition in Japan's retail financial services market. Many traditional Japanese banking institutions have expanded their digital banking services and broadened their retail asset management and retail lending services, including through the sale of investment products and extension of individual loans. Many of the financial institutions *Rakuten Bank* competes against are much larger than *Rakuten Bank* in terms of assets, customer base and employee headcount. Many of *Rakuten Bank*'s competitors may offer products and services that *Rakuten Bank* does not offer, or enjoy greater brand awareness and more extensive marketing and sales networks than *Rakuten Bank*. In addition, because *Rakuten Bank*'s primary interface with customers is through the Internet and it does not maintain physical branches, it may face difficulty attracting customers who prefer financial institutions that offer the ability to complete transactions at physical branches.

The digital banking market is also highly competitive. Our major competitors include other digital banking providers, such as SBI Sumishin Net Bank, Ltd., PayPay Bank Corporation, au Jibun Bank Corporation, Sony Bank Inc., Daiwa Next Bank, Ltd., ORIX Bank Corporation, GMO Aozora Net Bank, Ltd., Minna Bank, Ltd. and UI Bank Co., Ltd. We believe we compete with such other firms on the basis of price, brand recognition, breadth of services and reliability of services.

Online Securities Business

Overview

We conduct our online securities business mainly through *Rakuten Securities*, a subsidiary of *Rakuten Securities Holdings*. We established our online securities business with our purchase in November 2003 of 96.7% of the outstanding shares of DLJdirect SFG Securities, which was established in March 1999 as one of the first

online brokerage companies in Japan. On May 24, 2022, we announced that we had resolved to commence preparations for the listing of the shares of *Rakuten Securities*. In light of the subsequent *Rakuten Securities* Restructuring, *Rakuten Securities Holdings* was going to be the entity seeking to list its shares. *Rakuten Securities Holdings* filed a listing application with the Tokyo Stock Exchange on July 4, 2023. However, on November 9, 2023, *Rakuten Securities Holdings* withdrew its listing application from the Tokyo Stock Exchange. Also on November 9, 2023, Rakuten Group announced that *Rakuten Securities Holdings* had agreed to make an additional transfer of Rakuten *Securities* to Mizuho Securities of approximately 29.01% of the common stock of *Rakuten Securities* held by *Rakuten Securities Holdings*. The additional transfer of shares was completed on December 1, 2023. After the acquisition of these additional shares by Mizuho Securities, *Rakuten Securities Holdings*' shareholding ratio in *Rakuten Securities* became approximately 51%. *Rakuten Securities* remains a consolidated subsidiary of *Rakuten Securities Holdings*. *Rakuten Securities Holdings* intends to reapply for the listing of its shares at an appropriate time; however, as of the date of this offering circular, no date has been set for such reapplication.

In the year ended December 31, 2023 and for the nine-month period ended September 30, 2024, revenue of our online securities business contributed 15.4% and 16.2%, respectively, of our FinTech segment revenue. *Rakuten Securities* was ranked first place in the "2024 Oricon Customer Satisfaction Survey 'New NISA Securities Firms'" ranking published on July 1, 2024 with respect to all age categories above 30s. On July 4, 2024, *Rakuten Securities* was also ranked first place in "J.D. Power 2024 Japan NISA Investor Satisfaction Study—Online Securities," along with SBI Securities, which shared the first place with *Rakuten Securities*, and on July 11, 2024, *Rakuten Securities* was also ranked first place in "J.D. Power 2024 Japan Investor Satisfaction Study—Online Securities."

On March 5, 2024, *Rakuten Securities* and FIL Securities (Japan) K.K. (a Japanese subsidiary of Fidelity International Ltd) made a joint announcement that FIL Securities (Japan) K.K. will transfer its financial products sales business for individual customers to *Rakuten Securities* effective January 1, 2025 through a corporate split. As a result of this transfer, all rights and obligations of customer securities accounts currently held by FIL Securities (Japan) K.K. will be transferred to *Rakuten Securities*, and account balances will be transferred to *Rakuten Securities* on January 1, 2025. We believe that this acquisition of financial products sales business from FIL Securities (Japan) K.K. will further expand *Rakuten Securities'* customer base in a manner that complements the existing customer base of *Rakuten Securities*.

On August 6, 2024, *Rakuten Securities Holdings* announced its investment in Japan Alternative Market K.K., a newly established company with the purpose of operating a PTS for securities. On November 19, 2024, Japan Alternative Market K.K. obtained a certification of PTS operation. As of the time of announcement, the plan for Japan Alternative Market K.K. to begin operating its PTS remains undecided.

Our Products and Services

Rakuten Securities is an online securities company that utilizes technology to bring together our Internet services and financial techniques to provide services to customers. *Rakuten Securities* features one of the largest product lineups in the online securities industry. We strive to develop products that suit the needs of new investors as well as experienced traders with significant investment experience. Products available through *Rakuten Securities* include the following:

- Japanese stocks and derivatives, including those listed on the Tokyo Stock Exchange, the Osaka Exchange and the Nagoya Stock Exchange;

- non-Japanese stocks, including stocks listed on the New York Stock Exchange and NASDAQ, Chinese equities listed on the Hong Kong Stock Exchange and stocks listed on exchanges in the ASEAN countries of Singapore, Thailand, Malaysia and Indonesia, as well as international exchange-traded funds listed in Singapore;

- Nippon Individual Saving Accounts, or NISA, a special type of retail investment account which offers exemptions from income tax and capital gains tax on the investment returns;

- derivatives, including equity index futures and equity index options and covered warrants;

- investment trusts and mutual funds;

- currency trading, including exchange transactions with deposits available in numerous pairs of currencies;
- commodities and futures; and
- domestic and foreign bonds.

We were the first online provider in Japan of such services as real-time transactions in U.S. stocks and covered warrants, Chinese stock transactions, foreign exchange transactions with deposits, and the trading of futures options. In addition, we were the first to provide individual investors with high-quality information and transaction execution services that are based on real-time, automatically updated stock prices through our *MARKETSPEED* software. We also have system infrastructure that allows our customers to safely participate in transactions in a high-security environment. For example, on September 26, 2024, *Rakuten Securities* announced that it plans to offer *iGrow*, a smartphone application that provides suggestions for suitable investments, enables customers to manage their NISA and iDeCo accounts as well as assets held through Rakuten group services including *Rakuten Securities* and *Rakuten Bank*, and provides access to useful information such as comments by *Rakuten Securities'* securities analysts and transaction information such as dividend payout dates. We also allow customers to invest using *Rakuten Points*, in December 2021 becoming the first online broker to allow the use of points to invest in U.S. stocks.

Among our various services, we generate a significant proportion of our online securities revenue from commissions on trading in various instruments (other than domestic listed equity, for which we introduced zero-commission trading for participating customers beginning with trades executed on October 2, 2023), interest from margin trading, foreign exchange transactions (other than real-time trading between the U.S. dollar and Japanese yen, for which we introduced commission-free trading on December 4, 2023) and commissions from sales of investment trusts.

On February 21, 2024, *Rakuten Securities* and *Rakuten Payment* made a joint announcement with Daiwa Securities Group Inc., Daiwa Securities Co. Ltd., Mizuho Bank, Ltd., Mitsubishi UFJ Trust and Banking Corporation and Progmat, Inc. about their collaboration to issue security token corporate bonds in a public offering where all interest payments would be made electronically in the form of "*Rakuten Cash*" issued by *Rakuten Payment*, which would be the first such offering in Japan. The bond was subsequently issued on March 21, 2024. This collaboration is intended to provide an alternative financing method for potential issuers who prefer interest payments in forms other than cash.

MARKETSPEED and iSPEED

MARKETSPEED is our trading software available for both Windows and Mac operating systems that serves as a trading tool for real-time online securities trading for both beginners and experienced investors. *MARKETSPEED* offers various features to allow users to quickly conduct transactions and research, analyze and follow investments. *iSPEED* is a real-time trading tool specialized for mobile phones, smartphones and tablets on the iOS and Android mobile operating systems. We operate *iSPEED* in Malaysia through a joint venture between *Rakuten Securities* and Kenanga Investment Bank Berhad called *Rakuten Trade*.

Rakuten Securities also provides its business platform to registered independent financial advisors, or IFAs, financial professionals which provide independent asset management advice to clients without being part of a specific securities firm. *Rakuten Securities* provides order, execution, settlement, custody and compliance services through agency agreements with such IFAs, who primarily target wealthy individuals.

Fee Structure

Beginning with trades executed on October 2, 2023, we introduced commission-free trading for all Japanese domestic stocks. As for foreign stocks, we offer attractive fee structures, charging: (i) 0.495% (tax included) per transaction, with a minimum fee of $0 for trades of $2.22 or less and a maximum fee of $22 (tax included) for trades of $4,444.45 or more for U.S. stocks; (ii) 0.275% (tax included) per transaction with a minimum fee of ¥550 for trades of ¥200,000 or less and a maximum fee of ¥5,500 (tax included) for trades of ¥2,000,000 or more for Chinese stocks, (iii) 1.1% (tax included) per transaction with a minimum fee of ¥550 for ASEAN socks. For certain ETFs, we offer commission-free trading.

Margin Trading

We have generated an increasingly larger portion of our *Rakuten Securities* revenue from brokerage commissions on margin transactions and interest on margin trading, through reductions in fees and increased

participation in margin transactions by customers. We extend margin trading to customers who meet certain eligibility requirements such as having financial assets of at least ¥1 million, after they have deposited a minimum of ¥300,000 in cash or substitute securities as collateral (with substitute securities valued at 80% of market value). We require our customers to maintain a minimum ¥300,000 account balance (which also serves as a margin call threshold) and collateral, the deemed value of which, minus any net loss in the value of securities purchased on margin, is at least 20% of the outstanding principal and accrued interest of the margin trading within a specified period. In the event that the value of the collateral minus any net loss in the value of the securities bought on margin becomes less than 20% of the margin trading, we make a margin call by e-mail and require the customer to deposit cash or substitute securities as collateral to bring the total deemed value of the collateral to at least 20% of the outstanding principal and accrued interest of the margin trading within a specified period. If a customer fails to satisfy the margin call within the specified time period, we liquidate the collateral and the securities purchased on margin and apply the proceeds towards paying off the customer's debts.

Rakuten FX

We have generated a growing portion of our *Rakuten Securities* revenue from commissions from foreign currency transactions conducted by customers of *Rakuten Securities*, in particular following the introduction of our *Rakuten FX* service in 2013. Prior to the introduction of this service, *Rakuten Securities* outsourced back-end services to a third party, but subsequently has performed both front-end and back-end foreign exchange trading services. Beginning with trades executed on December 4, 2023, *Rakuten Securities* introduced zero-commission real-time trading between the U.S. dollar and Japanese yen.

Investment Trusts

We have also generated a growing portion of our *Rakuten Securities* revenue from commissions in connection with the initial sale of interests in investment trusts and management fees for mutual funds, which are based upon customers' investment balances in investment trusts. Investment trust products include products such as Japanese yen and foreign currency money market funds, as well as yen-denominated investment trusts that invest in Japanese government and corporate bonds, foreign government and corporate bonds, Japanese stock indices, foreign stock indices, Japanese stocks, foreign stocks and other assets. The investment trusts created and managed by *Rakuten Securities* are also offered to customers of *Rakuten Bank*. The investment trust asset balance has grown from ¥653.9 billion as of December 31, 2017 to ¥7,139.4 billion as of December 31, 2023 and ¥11,116.9 billion as of September 30, 2024. *Rakuten Securities* derives revenue on sales of investment trusts through up-front sales commissions and annual trust fees earned under contracts with these institutions. However, with respect to investment trusts held through the new NISA accounts that became available in January 2024, we began offering commission-free trading of such investment trusts in January 2024.

Asset Management

Rakuten Investment Management, Inc., a wholly owned subsidiary of *Rakuten Securities Holdings*, creates and operates real estate and other asset management funds which are marketed through *Rakuten Securities*.

Sales and Marketing

We have made efforts to take advantage of the Rakuten brand to market and develop our *Rakuten Securities* online securities business. Our marketing efforts include:

- Our *Rakuten Ichiba* homepage currently promotes *Rakuten Securities* as a "Money and Finance" service and provides a direct link to *Rakuten Securities*.

- Providing incentive programs through point systems that consumers can use throughout our group. Customers accumulate *Rakuten Points* from transactions on *Rakuten Securities* which they can use towards purchases on *Rakuten Ichiba* and other group services in our Rakuten Ecosystem. *Rakuten Securities* accountholders who set up *Money Bridge* and invest a total of ¥30,000 worth of *Rakuten Points* in investment trusts offered by *Rakuten Securities* in a month becomes eligible to earn *Rakuten Points* on his or her purchase at *Rakuten Ichiba* in an amount equal to 0.5% of the amount purchased, up to a maximum of 2,000 points per month. In addition, *Rakuten Securities* accountholders who set up *Money Bridge* and invest a total of ¥30,000 worth of *Rakuten Points* in U.S. stocks (yen-based transactions) offered by *Rakuten Securities* in a month becomes eligible to earn *Rakuten Points* on his or her purchase at *Rakuten Ichiba* in an amount equal to 0.5% of the amount purchased, up to a maximum of 2,000 points per month.

- *Money Bridge*, an intra-group settlement system linking *Rakuten Bank* and *Rakuten Securities* accounts, makes investment through *Rakuten Securities* easier and provides real-time fund transfer from *Rakuten Bank* accounts to *Rakuten Securities* accounts. As of September 30, 2024, the number of *Money Bridge* accounts has surpassed 5.3 million and as of October 31, 2024, *Money Bridge* has surpassed ¥6 trillion in deposit balance.

Competition

The online securities industry is also highly competitive. Our major competitors include other online securities firms, such as SBI SECURITIES Co., Ltd., Matsui Securities Co., Ltd., Monex, GMO CLICK Securities, Inc. and au Kabucom Securities Co., Ltd. as well as full-service securities firms in Japan. We believe we compete with other firms on the basis of price, brand recognition, breadth of services and reliability of services.

Traditional securities firms typically charge higher commissions, even for online trades, and rely on long-standing relationships cultivated through large sales forces, personalized investment advice, the convenience of their branch networks and broader service offerings to appeal to customers. Firms relying primarily on the Internet to interact with customers tend to focus more heavily on pricing, ease of use, technological reliability and building brand awareness.

On August 31, 2023, SBI SECURITIES Co., Ltd., *Rakuten Securities*' primary competitor in the Japanese online retail brokerage industry, announced its plan to make available commission-free trading in Japanese listed stocks to all qualifying online account holders, beginning with trades made on September 30, 2023. On the same day, *Rakuten Securities* announced its plan to also offer commission-free trading of Japanese listed stocks to all customers, beginning on October 1, 2023, subject to confirmation with relevant authorities, and we began offering commission-free trading of Japanese listed stocks effective for trades executed on October 2, 2023. As a result, to the extent *Rakuten Securities* customers (who choose their fee structure from a number of options) choose commission-free trading in Japanese listed stocks, *Rakuten Securities* will no longer earn such commissions.

In addition, *Rakuten Securities* began offering commission-free trading of investment trusts for both domestic and U.S. stocks and foreign ETFs that are executed within the new NISA accounts that became available in January 2024. As a result, *Rakuten Securities* does not earn commissions on trades of investment trusts, domestic and U.S. stocks and foreign ETFs that are executed through the new NISA accounts.

Monex and Monex Group, which is the parent of Monex, announced their entry into a capital and business alliance with NTT Docomo on October 4, 2023. Pursuant to the terms of the alliance, Monex became an indirect subsidiary of NTT Docomo and an equity method affiliate of Monex Group. NTT Docomo has announced that it expects this alliance to help it enter the securities business and help NTT Docomo expand its ecosystem, which will increase the competition between us and NTT Docomo.

On November 29, 2023, *Rakuten Securities* announced that it would reduce commissions on real-time foreign exchange trades between U.S. dollar and Japanese yen to ¥0.03 per trade effective for trades executed on and after December 1, 2023. Shortly thereafter, on November 30, 2023, SBI SECURITIES Co., Ltd. announced that it would reduce commissions on real-time foreign exchange trades between U.S. dollar and Japanese yen to ¥0 effective for trades executed on and after December 1, 2023. On December 1, 2023, *Rakuten Securities* announced that it would further reduce commissions on real-time foreign exchange trades between U.S. dollar and Japanese yen to ¥0 effective for trades executed on and after December 4, 2023, and on the same date, Matsui Securities Co., Ltd. also announced that it would reduce commissions on foreign exchange trades between U.S. dollar and Japanese yen to ¥0 effective December 4, 2023. As a result, on and after December 4, 2023, we have not earned commissions on real-time foreign exchange trades between U.S. dollar and Japanese yen.

Strategic Alliance between Rakuten Securities Holdings and Mizuho Securities

On October 7, 2022, we announced that *Rakuten Securities Holdings* had agreed to enter into a strategic alliance with Mizuho Securities. In conjunction with the alliance, Mizuho Securities agreed to purchase from *Rakuten Securities Holdings* 19.99% of the outstanding shares of *Rakuten Securities* for a purchase price of ¥80 billion. This sale was completed on November 1, 2022. Subsequently, on November 9, 2023, we announced that *Rakuten Securities Holdings* and Mizuho Securities decided to strengthen their alliance by transferring approximately 29.01% of the shares of common stock of *Rakuten Securities* held by *Rakuten Securities Holdings*

to Mizuho Securities. *Rakuten Securities Holdings* and Mizuho Securities also entered into a shareholder agreement concerning the shares of *Rakuten Securities.* The additional transfer of shares was completed on December 15, 2023. As a result of this additional share sale, *Rakuten Securities Holdings*' ownership of *Rakuten Securities'* shares decreased to approximately 51%. However, *Rakuten Securities* remains a consolidated subsidiary of *Rakuten Securities Holdings* and Rakuten Group, Inc.

Through this alliance, *Rakuten Securities Holdings* and Mizuho Securities will seek to leverage *Rakuten Securities*' ability to attract individual customers from a wide range of age groups based on synergies with the Rakuten Ecosystem and *Rakuten Securities*' online securities trading platform and attractive UI/UX (user interface/user experience), as well as Mizuho Securities' product development capability and product line-up and comprehensive asset consulting capabilities utilizing collaborations with Mizuho Financial Group companies banking, trust banking and securities services in order to jointly create a fully-fledged hybrid comprehensive asset management consulting service that meets the needs of all individual customers. *Rakuten Securities Holdings* and Mizuho Securities plan to use these as well as their other respective strengths to accelerate the sustainable growth of both *Rakuten Securities* and Mizuho Securities. The main products and services currently under consideration are:

- Make available to *Rakuten Securities* customers Mizuho Financial Group's comprehensive asset consulting service as a new option for asset formation and asset management services, to meet a wider range of customer needs and life plans of *Rakuten Securities* customers; for example, following *Rakuten Securities* and Mizuho Securities' announcement on October 5, 2023 regarding their plan to establish a joint venture, the two companies established a preparatory company as a financial product intermediary with both companies as shareholders, which offers financial instrument intermediary services, and on April 23, 2024, MiRaI Wealth Partners K.K., a company newly established by *Rakuten Securities* and Mizuho Securities, began its operation to provide financial product intermediary services;;

- Mizuho Securities employees with experiences in sales have been sent on loan to MiRaI Wealth Partners K.K. to offer asset management consultations to individual customers of *Rakuten Securities*, which had 11.65 million accounts as of September 30, 2024;

- Consign the sale of equities (IPO/PO) and bonds (including primary products and foreign bonds) that are underwritten and arranged by Mizuho Securities through *Rakuten Securities*, aiming to further expand product options for customers of *Rakuten Securities*; and

- Introduce products and services handled by *Rakuten Securities* to customers of Mizuho Financial Group companies, including Mizuho Securities and Mizuho Bank, Ltd., and contribute to individual financial asset building. For example, on April 26, 2023, Mizuho Trust & Banking Co., Ltd. agreed to introduce to their customers *Rakuten Securities*' IR support service, which is a service for listed companies to improve their investor relations activities. Beginning March 31, 2024, Mizuho Bank, Ltd. was included as one of the affiliated financial institutions from which *Rakuten Securities* customers can seamlessly transfer funds to their *Rakuten Securities* account via the "Rakuraku Deposit" services, and customers became able to check their Mizuho Bank, Ltd. account balance on the *Rakuten Securities* website using the "Balance Display Service".

- Collaborate in the area of tender offer agent services, as announced by Mizuho Securities on May 17, 2024. Under this collaboration, for tender offers where Mizuho Securities serves as the primary agent and *Rakuten Securities* acts as the sub-agent, *Rakuten Securities*' clients holding the target shares can seamlessly participate in the tender offer directly via *Rakuten Securities*' platform without the need to transfer their shares to Mizuho Securities.

Moreover, in light of the new NISA accounts having become available in January 2024, *Rakuten Securities* and Mizuho Securities seek to strengthen UI/UX and provide financial services that seamlessly connect in-person services and online services by utilizing both *Rakuten Securities'* vast customer base for NISA accounts and Mizuho Securities' strengths in in-person consulting.

Other FinTech Businesses

Overview

We also operate insurance businesses through our *Rakuten Life Insurance* and *Rakuten General Insurance* businesses, offer e-money services through our *Rakuten Edy* and *Rakuten Pay* businesses, offer a

service for converting a smartphone or tablet into a credit card reader through our *Rakuten Pay* business (previously called *Rakuten Smartpay*), and offer crypto asset trading services through *Rakuten Wallet*. On August 10, 2023, we announced our decision to implement an internal restructuring of our FinTech segment, as the result of which *Rakuten Payment* became a subsidiary of *Rakuten Card*, which we believe will increase synergies in and the transparency of the segment. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Recent Developments—Internal Restructuring of FinTech Segment, Memorandum of Understanding Regarding Further Reorganization of FinTech Businesses and Subsequent Cancellation of Further Reorganization."

In the year ended December 31, 2023 and for the nine-month period ended September 30, 2024, revenue of our other FinTech businesses contributed 23.3% and 23.4%, respectively, of our FinTech segment revenue.

Insurance

In June 2019, we established a comprehensive insurance desk which centralized the customer support functions for *Rakuten Life Insurance*, *Rakuten General Insurance* and *Rakuten Pet Insurance*, allowing us to efficiently and effectively respond to our customers' needs across our insurance offerings. Additionally, we have taken steps to consolidate our insurance-related functions for marketing, system infrastructure and related operations.

Rakuten Life Insurance

We operate our life insurance business through Rakuten Life Insurance Co., Ltd., a wholly owned subsidiary of Rakuten Insurance Holdings Co., Ltd., which was granted its life insurance license in August 2008 as AIRIO Life Insurance Co., Ltd. but was rebranded in April 2013 following our acquisition of the company in October 2012. *Rakuten Life Insurance* is a hybrid insurance company in that it offers services to customers both through the Internet and via insurance agencies to customers. *Rakuten Life Insurance* offers individual insurance products, including death-protection insurance and medical care and cancer insurance products. We generate revenue in our *Rakuten Life Insurance* business primarily through premiums paid by policyholders. *Rakuten Life Insurance*'s annualized premiums for policies in force (including mutual aid associations) for the three-month period ended December 31, 2023 were ¥33,511 million, an increase of 1.6% compared to the same period in the previous year. *Rakuten Life Insurance*'s number of policies in force as of December 31, 2023 was 795,698, a decrease of 8.4% compared to one year earlier, due primarily to our strategy of focusing on adding hospitalization riders to existing contracts over increasing the overall number of contracts, while ordinary-course cancellations of policies in force continue to occur. The number of policies in force further declined to 767,236 as of September 30, 2024.

Rakuten General Insurance

In March 2018, we acquired Asahi Fire and Marine Insurance Co., Ltd., a provider of non-life insurance, which we then renamed *Rakuten General Insurance*. *Rakuten General Insurance* sells mainly automobile insurance and fire insurance, and its main source of revenue comes from insurance premiums paid by policyholders and earnings from asset management.

Rakuten Pet Insurance

In March 2018, we acquired MottoGyutto Small Amount & Short Term Insurance (MottoGyutto), which specializes in pet insurance, and made it an indirect wholly owned subsidiary that we have branded as *Rakuten Small Amount & Short Term Insurance*. Subsequently, in July 2018, *Rakuten Insurance Holdings* was established, and *Rakuten Small Amount & Short Term Insurance* became a subsidiary of *Rakuten Insurance Holdings.* Subsequently, on April 1, 2022, all pet insurance contracts held by individuals have been transferred to *Rakuten General Insurance*.

Payments Business

In April 2018, METI announced its "cashless vision" to promote the use of cashless payment methods in Japan with the objective of doubling the cashless payment ratio of transactions in Japan to 40% by 2025. According to METI, the total value of cashless transactions in Japan in 2016 was approximately ¥60 trillion, but is expected to grow to ¥120 trillion for 2025. In April 2019, we created an integrated organizational structure to advance our payments business under our subsidiary Rakuten Payment, Inc. We operate a number of electronic

payment services within our payments business that are designed to target different segments of the payment marketplace and each have distinctive features. As of September 30, 2024, approximately 4.4 trillion *Rakuten Points* have been issued since 2002 and over 145.4 million members have registered to acquire Rakuten IDs since 1997 (defined as members who logged in one or more times after registration and excluding membership withdrawals). As of September 30, 2024, *Rakuten Pay*'s services are currently accepted at approximately 9.2 million locations (the total number of locations where *Rakuten Pay*, *Rakuten Edy* and *Rakuten Point Card* can be used). Starting April 2024, *Rakuten Cash*, an online e-money service operated by *Rakuten Edy*, can be charged at Lawson Bank ATMs nationwide through the *Rakuten Pay* application. In the Japan Customer Satisfaction Index survey published by Japan Productivity Center and The Council of Service Productivity & Innovation for Growth on September 18, 2024, *Rakuten Pay* was ranked first in the category of QR code settlement services.

We announced on April 18, 2024 that we plan to integrate three of our major apps—*Rakuten Pay*, *Rakuten Points*, and *Rakuten Edy*—into a single platform by 2025, with *Rakuten Pay* becoming the central app for these services in order to streamline the user experience. The integration will bring enhanced features like AI-based functions as well as functions from *Rakuten Bank and Rakuten Securities*.

Rakuten Edy

Rakuten Edy is an e-money service provided by Rakuten Edy, Inc., a wholly owned subsidiary of *Rakuten Payment*. *Rakuten Edy* can be used at participating online merchants or at various retail stores and restaurants nationwide in Japan with an *Edy Card*, a smartphone app linked to an *Edy Card* or through the *Osaifu Keitai* ("mobile phone wallet") service available on certain models of mobile phones. *Rakuten Edy* cards can be charged online or through the *Rakuten Edy* smartphone app using a credit card or in cash at ATMs throughout Japan. We generate revenue from *Rakuten Edy* from transaction fees. As of September 30, 2024, *Rakuten Edy* can be used at over 1.45 million locations.

Rakuten Pay

Rakuten Pay is a payment service that allows users to make payments at participating online merchants and brick-and-mortar stores via a dedicated smartphone app. Payments can also be made using a combination of *Rakuten Points* and payment with the credit card registered to the user's Rakuten ID. Depending on the form of payment (e.g., *Rakuten Card*, *Rakuten Points* or *Rakuten Cash*), users can earn up to 1.5% of the transaction value in *Rakuten Points* (or 0.5% when charging a "Suica" electronic commuter card). In addition to "QR Pay," where the user scans a QR code displayed on a smartphone or tablet in the store, or "Self Pay," where the user inputs the amount themselves, a new "Barcode Pay" payment method has been added to the *Rakuten Pay* app which allows users to present a barcode displayed on the app to make payment at the cash register.

We currently have agreements with Lawson, Inc., FamilyMart Co., Ltd., MINISTOP Co., Ltd. and Seven-Eleven Japan Co., Ltd. to allow customers to use *Rakuten Pay* to make payments at all of these companies' convenience stores in Japan. In June 2019 we reached an agreement with JR East that will allow *Rakuten Pay* users to charge and use the Suica e-money service offered by JR East at approximately 5,000 train stations and on approximately 50,000 buses, in addition to approximately 600,000 stores around Japan as of June 2019.

In addition, *Rakuten Pay* also provides payment and settlement services that are aimed at merchants. With *Rakuten Pay*, merchants will be able to accept payments by credit cards, QR codes and e-money at their physical store by applying and receiving a *Rakuten Terminal* or *Rakuten Card* Reader. Alternatively, merchants can apply to have their own QR codes, which their customers can scan and send payments to. We charge a transaction fee that ranges from 2.95% to 3.24% based on the type of payment. When used in combination with *Rakuten Bank* account, it allows users to deposit the previous day's sales each day, creating a cash flow that is comparable to receiving cash payments. Automatic next-day deposits are available 365 days a year, weekends and holidays included, without any transfer fees. *Rakuten Pay* also offers smartphone app and web portals for business customers, where users can monitor daily sales and transaction history, request deposits, edit store information, register and edit staff accounts and purchase payment terminals. We generate revenue from these transaction fees and sales of the credit card readers.

Rakuten Wallet

In August 2018 we acquired everybody's bitcoin Inc., a crypto asset exchange service. We subsequently renamed the company Rakuten Wallet, Inc. and relaunched as a crypto asset exchange service provider in April 2019. Since December 2019, users of *Rakuten Wallet* have been able to exchange *Rakuten Points* for a selection of crypto assets, and in March 2020 we launched a crypto asset margin trading service following our registration as a Type 1 Financial Instruments Business under the FIEA.

Rakuten Cash

In June 2008 we launched *Rakuten Cash*, an online e-money system that can be used for Rakuten services such as *Rakuten Ichiba*, *Rakuten Travel*, *Rakuten Rakuma*, and at merchants participating in *Rakuten Pay*. *Rakuten Cash* can also be used as payment in combination with *Rakuten Points*. Customers can charge *Rakuten Cash* through various sources, such as *Rakuten Card*, *Rakuten Bank*, and sales on *Rakuten Rakuma*. In 2019, the *Rakuten Cash* business was transferred from Rakuten Group, Inc., to Rakuten Edy, Inc. In 2021, we announced that *Rakuten Wallet* users can convert their crypto assets into Japanese yen and charge them to *Rakuten Cash* for free, avoiding the fees charged for transfer to a bank account.

Mobile Segment

Overview

Our Mobile segment comprises business operations primarily engaged in communication and messaging services, including our telecommunications businesses, as well as our digital content businesses outside of North America and our energy business. In April 2020, *Rakuten Mobile* launched commercial services on its MNO network with a single service plan structure. We previously also offered an MVNO service that allowed users to purchase a SIM card and access the wireless network infrastructures of third-party MNOs, NTT Docomo and KDDI, but we no longer offer this service to new customers and are in the process of migrating our existing MVNO customers to the *Rakuten Mobile* network that is used for our MNO business. On June 27, 2024, *Rakuten Mobile* launched commercial services using 700 MHz "platinum band" spectrum.

The Mobile segment contributed 11.5%, 16.7% and 15.8% of our consolidated revenue before intersegment eliminations for the years ended December 31, 2021, 2022 and 2023, respectively, and 16.6% of our consolidated revenue before intersegment eliminations for the nine-month period ended September 30, 2024. Its revenue before intersegment eliminations was ¥213,082 million, ¥350,734 million and ¥364,556 million for the years ended December 31, 2021, 2022 and 2023, respectively, and ¥300,788 million for the nine-month period ended September 30, 2024. On October 18, 2024, the total number of *Rakuten Mobile* subscribers surpassed 8 million (including MVNO, MVNE and BCP customers), and on November 10, 2024, the number reached 8.12 million.

Telecommunications Business

Overview

Rakuten Mobile launched commercial services for its MNO network in April 2020 with a single service plan structure. We also operate an MVNO business, but this business is no longer accepting new service activations and we are in the process of migrating customers to our own MNO network.

Our Products and Services

MNO Business

We have invested heavily in creating an MNO business that directly competes with the other MNOs in Japan. In April 2018, we received approval from the Japanese Minister of MIC for 4G base station deployment for the 1.7 GHz frequency band, in January 2019, we received blanket licenses that allow *Rakuten Mobile* to transmit radio waves from its physical base stations and in April 2019 *Rakuten Mobile* received approval for its 5G radio station deployment plan for the 3.7 GHz frequency band. More recently, on October 23, 2023, *Rakuten Mobile* received approval from the MIC for its base station deployment plan in the 700 MHz "platinum band" frequency spectrum. On July 27, 2024, *Rakuten Mobile* launched commercial services using the 700 MHz "platinum band" frequency spectrum. *Rakuten Mobile's* MNO network is the world's first end-to-end, fully virtualized, cloud-native mobile network capable of edge computing that processes data closer to the users rather than sending data across long distances which results in latency delays.

Rakuten Mobile launched small-scale services through a free supporter program on its MNO network in October 2019, commenced commercial operations in April 2020 and launched 5G service in September 2020. Beginning on April 1, 2021, *Rakuten Mobile* began offering a service plan called Rakuten UN-LIMIT VI, which offered a tiered pricing structure that flexibly adjusted with data use, with no charge for monthly data use of up to 1 GB, ¥980 (excluding tax) for monthly data use of between 1 GB to 3 GB, and ¥1,980 (excluding tax) for monthly data between 3 GB to 20 GB, and ¥2,980 (excluding tax) per month for unlimited data over 20 GB

within our network coverage area. *Rakuten Mobile*'s previous service plan, UN-LIMIT V, was based on a single service plan structure that provided unlimited data and unlimited domestic voice over IP calls through the *Rakuten Link* app for a monthly fee of ¥2,980 (excluding tax).

Subsequently, beginning on July 1, 2022, *Rakuten Mobile* began offering our new unified service plan called Rakuten UN-LIMIT VII and all *Rakuten Mobile* users were transferred from the Rakuten UN-LIMIT VI service plan, announced on April 8, 2021, to the Rakuten UN-LIMIT VII service plan. The Rakuten UN-LIMIT VII service plan featured a tiered pricing structure that flexibly adjusts with data use, costing ¥980 (excluding tax) for monthly data use of up to 3 GB, ¥1,980 (excluding tax) for monthly data use of between 3 GB to 20 GB, and ¥2,980 (excluding tax) for monthly data use of over 20 GB. These data tiers for the UN-LIMIT VI and UN-LIMIT VII plan applied for usage within the network areas covered by *Rakuten Mobile* physical base stations (including 5G access for compatible devices in available service areas).

When *Rakuten Mobile* customers are outside of our base station coverage area, they are able to connect to KDDI's *au* 4G mobile network. On May 11, 2023, we and KDDI announced that we had agreed to enter into a new roaming arrangement making certain selected *au* base stations in urban areas in Tokyo, Osaka and Nagoya which were previously not subject to our roaming arrangement available for our subscribers, in addition to certain indoor areas (including subways, underground areas, tunnels and indoor facilities) and rural areas. This arrangement commenced in June 2023 and will remain in effect until September 2026, with extensions to be decided upon consultation between us and KDDI.

In June 2023, based on this new arrangement with KDDI, we introduced a new service plan, the SAIKYO plan, allowing for unlimited use of roaming on KDDI's *au* network in applicable locations. This new plan maintains the pricing tiers of the previous UN-LIMIT VII plan, flexibly adjusting with data use, and costing ¥980 (excluding tax) for monthly data use of up to 3 GB, ¥1,980 (excluding tax) for monthly data use of between 3 GB to 20 GB, and ¥2,980 (excluding tax) for monthly data use of over 20 GB. Even at the highest tier of data use, monthly fees are significantly lower than those of our competitor MNOs' unlimited data plans, all of which cost over ¥6,500 (excluding tax) per month, prior to discounts, giving us a significant advantage on price (for users who wish to have unlimited data plans), which we believe is the most important factor for current and potential subscribers when choosing a mobile carrier, based on research we conducted using an external research agency as of November 2023. By limiting our offering to a single plan, we can offer subscribers a simple choice that flexes to fit their usage patterns.

At the same time, we believe the SAIKYO plan will let us promptly address the main reasons subscribers cancel their contracts with us. We believe that cancellations of contracts were due mainly to dissatisfaction with the quality and speed of our network and dissatisfaction with our coverage area. The SAIKYO plan addresses these concerns in two ways. First, following the commencement of our roaming arrangement and the introduction of the plan, the addition of selected base stations in urban areas in Tokyo, Osaka and Nagoya will make available to our subscribers the portions of the "platinum band" spectrum allocated to KDDI in these areas, which we believe will improve connectivity in subways, underground areas, tunnels and indoor facilities. Despite the need for users' handsets to switch between networks, through close technological cooperation with KDDI, we are working towards achieving seamless transitioning between our base stations and those of KDDI to decrease disruptions to our subscribers' connectivity. Second, the additional KDDI base stations have increased our 4G population coverage to 99.9%, as compared to 98.8% by our network alone as of September 30, 2023. Moreover, subscribers will have the ability to experience these benefits on an unlimited basis, as high-speed data roaming on KDDI's network will no longer be subject to a monthly data cap as it was under the UN-LIMIT VII plan.

In January 2023, we began offering the *Rakuten Mobile Corporate Mobile Plan* for business customers, offering four tiers of data usage (and unlimited voice-calling over when using our *Rakuten Link* VoIP app) costing ¥1,980 (excluding tax) for monthly data use of up to 3 GB, ¥2,380 (excluding tax) for monthly data use of up to 5 GB, ¥2,780 (excluding tax) for monthly data use of up to 30 GB and ¥2,980 (excluding tax) for unlimited monthly data use. On March 8, 2024, we renamed the plan to *Rakuten SAIKYO Plan Business.* As of March 8, 2024, we have successfully accumulated more than 10,000 corporate customers.

In February 2024, *Rakuten Mobile* began offering the "SAIKYO Family Program", which provides ¥100 per month family discount from the SAIKYO plan if there is a family member with the same surname who also subscribes to the SAIKYO plan, and in March 2024, *Rakuten Mobile* began offering the "SAIKYO Seishun Program," which provides 110 *Rakuten Points* per month to the SAIKYO plan subscribers who are 22 years old or younger. The SAIKYO plan subscribers who are 22 years or younger can benefit from both the SAIKYO

Family Program and the SAIKYO Seishun Program if they can meet the aforementioned condition for each program. In May 2024, *Rakuten Mobile* launched the "SAIKYO KIDS Program" to support children's first smartphones, offering a price as low as ¥528 (tax included) per month if data usage is below 3GB for children until the age of 13. When the user reaches 13 years of age, their plan will be automatically transferred to Seishun Program. In September 2024, *Rakuten Mobile* began offering the "SAIKYO Senior Program" which provides 110 *Rakuten Points* per month to the SAIKYO plan subscribers who are 65 years old and above. Similar to the "SAIKYO Seishun Program," the SAIKYO plan subscribers who are 65 years old and above can benefit from both the "SAIKYO Family Program" and the "SAIKYO Senior Program" if they can meet the aforementioned condition for each program.

We offer our MNO service through an untied contract under which users' devices are SIM-lock free with no minimum subscription periods or cancellation charges. We also offer *Rakuten Point* benefits to *Rakuten Mobile* subscribers, including promotional point reward campaigns and increased points for shopping on *Rakuten Ichiba*, the terms of which we may change from time to time.

We have agreements with various infrastructure partners to support *Rakuten Mobile*'s MNO network. In March 2018, we entered into an agreement with TEPCO to allow Rakuten to utilize TEPCO's existing infrastructure rental program, which covers transmission towers, utility poles, telecommunication towers, rooftop facilities and other equipment, in establishing a network of physical base stations for our MNO business. That same month, we also announced that we would utilize the transmission towers, utility poles, telecommunication towers, rooftop facilities and other infrastructure of Chubu Electric Power Company, Incorporated and The Kansai Electric Power Company, Incorporated in establishing our network of physical base stations for our MNO business. In July 2022, *Rakuten Mobile* and TEPCO established Rakuten Mobile Infra Solution, Inc., a new company to provide construction solutions for physical base stations. *Rakuten Mobile Infra Solution* will further improve the efficiency of base station construction by effectively utilizing public assets to expand *Rakuten Mobile*'*s* network, developing installation specifications for *Rakuten Mobile*'*s* base station equipment and managing installation work. Through this work, the company aims to contribute to the provision of a stable communications environment.

In addition to our MNO service, we also sell a selection of smartphones, which used to include Rakuten brand android smartphones. We have sold *Rakuten BIG, Rakuten BIG s*, *Rakuten Hand*, *Rakuten Hand 5G* and *Rakuten Mini* models in the past. However, we have since discontinued these models and we currently do not sell any Rakuten brand smartphones.

In order to support continued innovation and the strength of our network, we have made a series of research and development investments. In February 2019, we opened the *Rakuten Cloud Innovation Laboratory*, a next generation 4G and 5G network lab in Tokyo, in order to further enhance the development of our mobile technology, and in May 2019, we made an investment in Altiostar, a U.S.-based company that provides a 5G-ready virtualized software solution, followed by an additional investment in August 2021, which made Altiostar our indirectly-held wholly owned subsidiary. In March 2020, we invested together with Vodafone Group in AST & Science, LLC (now AST SpaceMobile, or AST), a Texas-based company that is developing SpaceMobile, a space-based low-Earth-orbit and low-latency satellite network that aims to connect directly to 4G and 5G smartphones without additional specialized hardware. In April 2023, with the cooperation of Vodafone and AT&T, *Rakuten Mobile* and AST succeeded in making voice calls between two smartphones in Texas and Tokyo through satellites, which was the first such success in the world. In November 2022, *Rakuten Mobile* obtained preliminary experimental test station licenses for conducting mobile communication tests in Japan. On February 16, 2024, *Rakuten Mobile* and AST announced a joint plan to provide satellite-to-mobile telecommunication service in Japan in 2026. In 2020, we completed our planned acquisition of Innoeye, LLC and Innoeye Technologies Pvt. Ltd., which together form an engineering technology company that developed an end-to-end platform process automation solution that we have already deployed to support our 4G and 5G platform. In July 2024, *Rakuten Mobile* and Cisco announced the completion of one of the world's largest Segment Routing over IPv6 Micro Segment ID (SRv6 uSID) IP transport network migrations, giving *Rakuten Mobile* access to more refined and efficient methods of packet processing.

With respect to deployment of 700 MHz "platinum band" frequency spectrum approved by the MIC on October 23, 2023, initial deployment will be focused on urban areas to fill remaining coverage holes that could not feasibly be addressed by our own 1.7 GHz frequency spectrum and roaming arrangement with KDDI, especially indoors. On February 27, 2024, *Rakuten Mobile* announced that it will utilize mobile network radios developed by Nokia, to deploy base stations in the 700 MHz band. Nokia's mobile network radios that *Rakuten Mobile* will deploy are small, lightweight and energy efficient. By using a next-generation Distributed Unit (DU)

developed by *Rakuten Symphony*, *Rakuten Mobile* will be able to easily deploy the radios in its virtualized, Open RAN network. As a result, the newly deployed antenna compatible with 1.7 GHz band and 700 MHz band will be deployed alongside the existing 1.7 GHz radios, allowing the base stations to operate promptly by updating the software. *Rakuten Mobile* will deploy base stations cost effectively by shortening the lead time between additional construction and operation utilizing its unique virtualized network technology and existing base station sites. We expect that 10-year cumulative capital expenditure of approximately ¥54.4 billion (including interference remediation costs), with initial focus on coverage inside buildings in cities, will be required to roll out services on this spectrum. We expect capital expenditures to be low owing to our network based V-RAN/ O-RAN, with our software-centric network allowing for mostly radio-head replacements with a software update at existing 1.7 GHz base stations. Our network-related capital expenditures in *Rakuten Mobile* (which excludes right of use assets and specified base station establishment fees) totaled ¥64.8 billion in the nine-month period ended September 30, 2024, and we expect the total for 2024 to be below ¥100 billion. On June 27, 2024, *Rakuten Mobile* launched commercial services using the 700 MHz "platinum band" spectrum and plan to continue expanding platinum band services using *Rakuten Mobile*'s network of base stations.

Rakuten Symphony

In April 2020, *Rakuten Mobile* established Rakuten Mobile Singapore Pte. Ltd. (currently Rakuten Symphony Singapore Pte. Ltd.) as a development center for our previous *RCP* (our cloud-native platform which is designed to support the quick and efficient development of safe, open mobile networks), and as the headquarters for global sales and marketing of *RCP*. On August 4, 2021, we launched *Rakuten Symphony* as a new business organization to spearhead the global adoption of cloud-native infrastructure and services, by mobile network operators, enterprises and government bodies. *Rakuten Symphony*'s vision is to provide a cost-effective cloud connectivity platform. On February 28, 2024, *Rakuten Mobile* and *Rakuten Symphony* made a joint announcement that they were able to successfully verify that up to 25% reduction in electricity consumption can be achieved in 4G and 5G Open RAN network using "RAN Intelligent Controller", or RIC, which controls RAN using artificial intelligence.

On February 28, 2022, *Rakuten Symphony* agreed to acquire leading Silicon Valley-based cloud technology start-up, Robin.io. The addition of Robin.io's multi-cloud mobility, hyper automation and orchestration capabilities to the *Rakuten Symphony* portfolio allows the creation of highly efficient, consistent high performance cloud infrastructure and operations, from edge to central data center.

In March 2023, *Rakuten Symphony* announced that it has entered into a memorandum of understanding with Zain Saudi Arabia, a telecommunication provider in Saudi Arabia, to collaborate in developing a next generation wireless access solution architecture to expand the mobile network services in Saudi Arabia and provide cost effective solutions.

Competition

Rakuten Mobile competes with fellow MNOs SoftBank, NTT Docomo, and KDDI as well as MVNOs.

Digital Content Businesses

From the three-month period ended December 31, 2020, in order to enhance collaboration and synergy between digital content services and mobile services, our digital content businesses were transferred from the Internet Services segment to the Mobile segment. Subsequently, for the purpose of expanding the Rakuten Ecosystem in North America, from the three-month period ended June 30, 2021, our digital content businesses providing services in North America were transferred back to the Internet Services segment. We acquired Canadian e-book company Kobo Inc. (currently Rakuten Kobo Inc., now part of the Internet Services segment) in January 2012, Spanish video streaming company Wuaki.TV, S.L. (currently Rakuten TV Europe, S.L.U.) in June 2012 (which currently operates *Rakuten TV*, now part of the Internet Services segment) as part of our strategy to expand our digital content businesses.

Rakuten Live is a live video streaming service launched in May 2019 that allows artists, celebrities and general users to live stream videos and communicate with viewers in real-time. The service also offers a live commerce function that allows viewers to easily access sites to purchase products featured in streaming videos, enabling shoppers to make purchases while watching. Artists, celebrities and other streamers can effectively promote products through the service by highlighting the appeal of products and engaging in interactive communication with viewers.

Retail Electricity Supply Business

We operate in the electricity supply business through *Rakuten Energy*, which provides power plans to retail customers based on a unit cost fee structure. *Rakuten Energy* procures power from the wholesale power trading market, subject to fixed rate power procurement contracts where appropriate.

Collaborations in the Mobile Segment

Mobile

In May 2019, we completed our investment in Altiostar, a U.S.-based company that provides a 5G-ready virtualized software solution, followed by an additional investment in August 2021, which made Altiostar Networks our indirectly-held wholly owned subsidiary. In March 2020, we invested together with Vodafone Group in AST & Science, LLC (now AST SpaceMobile), a Texas-based company that is developing SpaceMobile, a space-based low-Earth-orbit and low-latency satellite network that aims to connect directly to 4G and 5G smartphones without additional specialized hardware. In April 2023, with the cooperation of Vodafone and AT&T, *Rakuten Mobile* and AST succeeded in making voice calls between two smartphones in Texas and Tokyo via the mobile broadband communication through satellites, which was the first such success in the world. In Japan, *Rakuten Mobile* has obtained a license to run a similar test in Japan. On February 16, 2024, *Rakuten Mobile* and AST announced a joint plan to provide mobile broadband telecommunication services in Japan through direct communication between satellites and mobile phones by the end of 2026. In 2020, we completed our acquisition of Innoeye, LLC and Innoeye Technologies Pvt. Ltd., which together form an engineering technology company that developed an end-to-end platform process automation solution that we have already deployed to support our 4G and 5G platform. In February 2022, Rakuten Mobile, Inc. and Qualcomm Technologies began collaborations to develop a next-generation 5G Radio Unit with Massive MIMO capabilities and distributed units. Also in February 2022, we announced an agreement to acquire leading Silicon Valley-based cloud technology start-up, Robin.io, to deliver highly integrated telco-cloud for mobile. In July 2024, *Rakuten Mobile* and Cisco announced the completion of one of the world's largest Segment Routing over IPv6 Micro Segment ID (SRv6 uSID) IP transport network migrations, giving *Rakuten Mobile* access to more refined and efficient methods of packet processing.

File Transfer Systems

On October 25, 2021, Rakuten Mobile, Inc. agreed to acquire Estmob, Inc., a South Korean peer-to-peer file transfer solution start-up that created *Send Anywhere*. The acquisition will establish a research and development presence in South Korea for *Rakuten Symphony* and leverage Estmob's top-class developer team and existing technology to accelerate product development for *Rakuten Symphony*'s Internet and Ecosystem services. On April 1, 2022, Estmob, Inc. changed its name to Rakuten Symphony Korea, Inc. On February 6, 2024, *Rakuten Symphony* announced the full-scale commercial launch of file storage cloud service "Rakuten Drive", which provides file storage cloud services for both individual and enterprise customers that allow users to send large files quickly and offer secure, intuitive file storage and sharing on the cloud. Rakuten Drive is operated by Rakuten Symphony Korea, Inc. in the global market, with *Rakuten Symphony* conducting sales and marketing activities for the service in the Japanese market.

Symware

On October 26, 2021, *Rakuten Symphony* began collaborative efforts with Intel Corporation and Juniper Networks to develop Symware, a pioneering, carrier-grade Open Radio Access Network (O-RAN) solution for mobile network operators to modernize radio cell sites by leveraging the latest cloud-native architecture. This Symware multipurpose edge appliance provides operators with the flexibility to densify their network, accommodate various network topologies, and support new features while reducing the required hardware per site.

AT&T

On February 28, 2022, *Rakuten Symphony* signed a collaboration agreement with AT&T to enhance solutions within *Rakuten Symphony*'s Symworld platform, which enables industrialized automation and data driven solutions for planning, designing, deploying, operating, securing and maintaining new and existing networks at the speed and scale of the cloud. The companies aim to develop and bring to market solutions through the platform by drawing on technologies, experience, and expertise currently used for wide scale network deployments by AT&T in the U.S. and *Rakuten Mobile* in Japan.

Cisco

On February 28, 2022, *Rakuten Symphony* and Cisco signed a Memorandum of Understanding to accelerate the delivery for cloud-native, virtualized 4G/5G mobile networks based on O-RAN technology. Together, the companies are addressing the industry need for massive transformation to reduce costs, enhance agility and meet future technical, regulatory and environmental requirements for sustainability. In July 2024, *Rakuten Mobile* and Cisco announced the completion of one of the world's largest Segment Routing over IPv6 Micro Segment ID (SRv6 uSID) IP transport network migrations, giving *Rakuten Mobile* access to more refined and efficient methods of packet processing.

Zain Saudi Arabia

On March 2, 2023, *Rakuten Symphony* announced that it had entered into a memorandum of understanding with Zain Saudi Arabia, a telecommunications provider in Saudi Arabia, to collaborate in developing a next generation wireless access solution architecture to expand the mobile network services in Saudi Arabia and provide cost effective solutions.

Kyivstar

On February 26, 2024, *Rakuten Symphony* and Kyivstar, Ukraine's largest telecommunications operator and VEON Group's wholly owned subsidiary, announced the signing of a Letter of Intent that confirms Kyivstar's interest in procuring and deploying *Rakuten Symphony*'s Open RAN and 5G technology in its network to help rebuild Ukraine's digital infrastructure, reinforcing both companies' commitment to supporting Ukraine's recovery and reconstruction.

Telecom Egypt

On February 28, 2024, *Rakuten Symphony* and Telecom Egypt, the country's first fully integrated telecom operator, conducted the first successful 4G trial call via Open RAN technology in North Africa in collaboration with Cisco and the global Telecom Infra Project. The seamless integration by *Rakuten Symphony*'s vRAN software showcases both companies' vision of moving toward the cloudification of telco workloads.

Alliances and Investments

We have entered into alliances and collaborations with and made minority investments in other companies that we believe will help us increase our corporate value. For example, Rakuten ANA Travel Online Co., Ltd., a joint venture company we established in 2006 with All Nippon Airways Co., Ltd. (ANA), provides travel packages combining ANA flights with hotel, car rental and other services provided by *Rakuten Travel* and ANA Sales Co. Ltd. Additionally, we currently hold or have held other diversified assets in various sectors, including FinTech (Acorns Grow Incorporated; Azimo Limited; Bluevine Capital Inc.; Coda Payments; Currencycloud; dacadoo ag.; Foreverhold Ltd.; Folio Co., Ltd.; Honest; PremFina Limited; QFPay International Ltd.; simplesurance GmbH; TORANOTEC Ltd. Upstart Network, Inc.; WePay Inc.), mobility (Cabify España S.L.U., or Cabify; Careem Network FZ LLC; Glovoapp23, S.L., or Glovo; PT GoTo Gojek Tokopedia Tbk, or Goto; Lyft, Inc.), enterprise software (dataX Inc.; MakeLeaps Corporation; OneSignal, Inc.; Polymorph (Walmart Inc.); UNCOVER TRUTH; ViSenze Pte. Ltd.; beBit, Inc.), consumer (AirGSM Pte Ltd; BASE FOOD, Inc.; Blackfish Technology Co., Ltd.; BYJU'S; cariuma.com; Carousell Pte. Ltd.; Epic! Creations, Inc.; Fever Labs Inc.; Leal Colombia S.A.S.; OKAN Inc.; PETOKOTO; Pinterest, Inc.; Pop Meals; RedDoorz; Secai Marche Inc.; Rakuten Symphony Korea, Inc., or *Send Anywhere*; Ecommerce Enablers Pte. Ltd., or Shopback; SYLA Technologies Co., Ltd.; Taster; Verishop Inc.; Visional, Inc.), healthcare (airweave Inc.; Genesis Healthcare Co.; Overture Life SL.) and data, AI & others (Algorithmia Inc.; AWL, Inc.; Button, Inc.; Cyndx Networks LLC; DataRobot, Inc.; Flow Solutions Inc.; Contenido para Marcas S.L.; Robin.io). We seek to maintain a balanced strategy according to which we monetize assets when appropriate in order to use our funds in an efficient manner, as demonstrated by the sale of *Rakuten O-net* in 2018, the partial sale of our interest in Careem Network FZ LLC in 2020 and the initial public offerings of Pinterest, Inc.; Lyft, Inc.; Upstart Network, Inc.; and *Rakuten Bank* in 2019, 2020, 2021 and 2023, respectively, as well as the additional sale of *Rakuten Bank* shares in December 2023.

OpenAI

On August 2, 2023, we announced that we had signed a Memorandum of Understanding with OpenAI, an artificial intelligence research and deployment company, to deliver state-of-the-art conversational artificial

intelligence experiences to consumers and businesses in Japan and worldwide. Subsequently, on November 14, 2023, we announced that we have selected OpenAI as a strategic partner in delivering state-of-the-art artificial intelligence experiences to consumers and businesses in Japan and worldwide. As a key part of this collaboration, on the same date, we and OpenAI together unveiled *Rakuten AI for Business*, a new artificial intelligence platform to be provided by Rakuten and powered by OpenAI. We and OpenAI plan to work together to design and deliver services that empower business customers with cutting-edge AI solutions for improving operations, strengthening connections with customers and driving better results. *Rakuten AI for Business* is currently available through invitation only, with plans to expand the offering this year and beyond. On February 26, 2024, we announced that we are partnering with OpenAI to develop and deliver cutting-edge AI tools tailored to the telecommunications industry. Under this partnership, we will collaborate with OpenAI to create solutions to address the unique needs and challenges of telecommunications operators when planning, building and managing mobile networks.

Japan Post

In March 2021, Japan Post Holdings acquired 8.32% of our shares (based on the number of outstanding shares as of December 31, 2020) and we entered into a business alliance agreement with Japan Post Holdings and its subsidiary, Japan Post Co. Subsequently, on April 28, 2021, we signed an integration contract with Japan Post Co. pursuant to which we and Japan Post Co. established JP Rakuten Logistics, Inc. as our wholly owned subsidiary and Japan Post Co. made an equity investment in JP Rakuten Logistics, Inc. We also signed a shareholder's agreement with Japan Post Co. regarding the operation of JP Rakuten Logistics, Inc.

The aim of the integration contract is to improve efficiency by building joint logistics bases, common delivery systems, and receiving services, mainly in the logistics field. Specifically, by incorporating the labor-saving and automated fulfillment centers that we have invested and developed into the delivery network of Japan Post Co., and by jointly operating it through a joint venture, we will realize improvements in distribution DX and customer UX. We have also jointly worked on next-generation delivery using drones and UGVs.

Gurunavi

In July 2018 we announced a capital alliance with Gurunavi Inc., which operates Gurunavi, a restaurant search website that allows users to leave reviews and make reservations at participating restaurants, whereby we acquired a 9.6% stake in Gurunavi Inc. We subsequently decided to strengthen the capital alliance by acquiring an additional 4.8% stake in May 2019. In April 2021, we decided to transfer *Rakuten Delivery* and *Rakuten Realtime Takeout* to Gurunavi effective July 1, 2021. Subsequently, on August 25, 2021, we signed a memorandum of understanding regarding revision of the contract on strengthening the capital and business alliance agreed on May 22, 2019. Pursuant to this memorandum of understanding, we agreed to underwrite Gurunavi's shares of common stock by way of a third-party allotment on August 25, 2021, to be paid for on October 4, 2021. As a result, we own a 16.8% stake (based on the number of outstanding shares as of June 30, 2021) in Gurunavi, Inc. On October 2, 2023, Gurunavi, Inc. changed the name of its restaurant search website to Rakuten Gurunavi.

Science Arts

On October 15, 2024, we entered into a capital and business alliance agreement with Science Arts, Inc. ("Science Arts"), the provider of *Buddycom*, a real-time communication tool that functions like a modern digital walkie-talkie system, which aims at assisting frontline workers with their day-to-day operations and promoting digital transformation and operational efficiency. Pursuant to this agreement, on October 31, 2024, we purchased 819,000 shares of Science Arts' common stock for a total of ¥434.1 million, thereby acquiring 10.00% ownership interest in Science Arts.

Rakuten Mobile first began offering *Buddycom* to its corporate customers in January 2024. In April 2024, *Rakuten Mobile* began selling Rakuten Mobile Buddycom Set, which combines *Rakuten SAIKYO Plan Business* and *Buddycom*, to hotels and other lodging facilities through *Rakuten Travel* for their frontline workers. On October 15, 2024, *Rakuten Mobile* and Science Arts entered into a business alliance agreement to further promote Rakuten Mobile Buddycom Set to corporate customers that are involved in Rakuten Ecosystem's services. On the same day, Rakuten Group, *Rakuten Mobile* and Science Arts entered into a basic agreement for the joint development of new products and services that offer advanced business support solutions, which will integrate Rakuten's artificial intelligence technology with Science Arts' *Buddycom* communication platform.

Venture Capital

We also hold minority equity interests in other companies primarily for investment purposes. We seek to develop a portfolio of high-performing companies that can achieve consistent returns on investment.

We launched our early-stage corporate venture internal investment framework *Rakuten Capital* in 2013 and have established multiple other venture funds, including the $200 million Global Investment Fund to target startups and companies in Israel, the Asia Pacific region, and the United States in June 2014 (which was subsequently increased in 2016), the $100 million global Rakuten FinTech Fund in November 2015 to focus on investments in disruptive early- to mid-stage FinTech startups and growth companies primarily in the United States and Europe, and the ¥10 billion Rakuten Ventures Japan Fund in January 2016 to target the expanding community of Japanese startups with advanced technology and business models.

Strategic Investments

We have also made strategic investments over our history with the objective of gaining a foothold in technology areas that we deem to be of strategic importance. For example, we held a minority equity interest in Lyft, Inc., a ride-sharing company based in the United States. In addition, we have made strategic investments in the following industries:

Drones and Robots

In December 2021, we opened Rakuten Drone Academy, a school with a dedicated campus in Gunma, Japan that offers paid courses intended to provide operators with the knowledge and skills necessary to pilot drones and conduct inspections of *Rakuten Mobile* physical base stations as well as surveys for fire insurance conducted by *Rakuten General Insurance*, among other initiatives.

In April 2022, we agreed to acquire all shares of SKY ESTATE Inc., a leading developer of various drone-related businesses, including drone pilot dispatch and training. Following our acquisition, in January 2023, SKY ESTATE was renamed Rakuten Drone, Inc. Rakuten Drone, Inc. has developed a wide array of drone-related businesses, including drone schools and operator crowdsourcing (human resource matching), drone-conducted external wall inspection and solar panel measurement and inspection, aerial photography, filming and video production using micro-drones, and consultation on the use and implementation of drones.

In May 2022, Rakuten, Panasonic Holdings Corporation and Seiyu began a trial program providing deliveries using UGVs (unmanned ground vehicles) running on public roads every Saturday until July 20, 2022. This service was designed to deliver products sold by the Seiyu Tsukuba Takezono Store, with deliveries being made in as little as 30 minutes from the time of an order being placed. Deliveries could be made to nearly 1,000 households located in close proximity to Tsukuba Station. This was the first time in Japan that on-demand deliveries of supermarket products were made in as little as 30 minutes from the time of order, using UGVs on public roads.

Artificial Intelligence

The Rakuten Institute of Technology, the dedicated research and development organization of the Rakuten group, has dedicated research centers in Tokyo, Paris, Boston, Singapore, San Mateo, California and Bengaluru, India. The San Mateo, California research center is focused on the emerging field of Creative AI with the goal of realizing innovative services using advanced technologies such as deep learning and natural language processing. We launched Rakuten RMS AI Assistant (Beta) on March 28, 2024 and Rakuten AI University on April 30, 2024 to help merchants understand AI technology, reduce operational cost and accelerate their business growth with powerful AI tools. On October 31, 2024, *Rakuten Mobile* launched Rakuten Link AI, a free AI chat service for Rakuten SAIKYO Plan subscribers that integrates generative AI capabilities into the *Rakuten Link* app. The service has been released on Android devices, with iOS support planned for a later date.

Blockchain

On February 25, 2022, we launched the NFT marketplace and sales platform *Rakuten NFT*, a service that provides a marketplace for users to purchase NFTs, as well as peer-to-peer buying and selling of NFTs, in a range of areas such as sports and entertainment, including music and anime. It also features a unique, one-stop platform which enables IP holders to build their own website for issuing and selling NFTs. Rakuten IDs can be used when making purchases, allowing users to earn and spend *Rakuten Points*. A service for peer-to-peer issuing and selling of NFT content launched in 2023, which will support IP holders in Japan and worldwide to issue NFTs, as well as spur further development of a global market for NFTs.

Retail

On March 1, 2021, we completed our acquisition of a 20% stake in SY Holdings Co., Ltd. (currently Seiyu Holdings Co., Ltd.) from Walmart Inc. Seiyu Holdings Co., Ltd.'s wholly-owned subsidiary, Seiyu Co., Ltd. operates supermarkets, shopping centers and department stores in Japan. We were also joined by KKR & Co. Inc., which acquired a 65% stake in the current Seiyu Holdings Co., Ltd. from Walmart Inc. On May 12, 2023, we announced that we had resolved to sell all shares of Seiyu Holdings Co., Ltd. held by us to SY Investment L.P., which is a subsidiary of KKR & Co. Inc. The sale was completed on May 31, 2023.

On September 1, 2022, we announced with Hakuhodo DY Holdings Inc. the establishment and start of operation of Rakuten Data Solutions, Inc., or *Rakuten Data Solutions*, a new company that researches and develops new data solutions for advertising clients using Rakuten's accumulated online and offline consumer behavior analysis data as well as leveraging the consumer and media data and marketing expertise that Hakuhodo DY Holdings Inc. has accrued as a marketing services company.

Information Technology

As an Internet services company, we rely heavily on information technology and communication systems to operate our businesses and to create a secure environment in order to attract and maintain customers and suppliers for our products and services.

Our network system consists of a variety of servers, including Internet servers, application servers, database servers, network file system servers and cache servers. In general, we purchase servers from suppliers and integrate them internally through our system integration team. Our technology development team is in charge of standardizing our systems to make subsequent expansion more cost efficient. Our servers are located at multiple data centers. Although we regularly back up the information maintained in our servers, our data centers may not be fully redundant, and so there is a risk that we may lose some data in the event of a natural or other disaster.

We continue to manage our server capacity to be able to handle our peak traffic. Peak traffic is typically recorded in the evenings on the days we conduct sales campaigns such as our Rakuten Super Sales. Despite our continuous efforts to expand our server capacity, customers may feel that access speed to our Internet sites on the day of a campaign is slow and may not purchase our products and services as much as they initially planned. We make every effort to maintain system security. We conduct monitoring for signs of hacking or other attacks. We make frequent security inspections and conduct security tests for new services and applications. We also communicate with industry groups, security venders and government agencies to exchange information about the latest trends and cases in cyberattacks and cybercrimes so that we can take precautions and countermeasures. See "Risk Factors—Risks Relating to Our Business Generally—Interruption or failure of our information technology and communications systems due to natural disasters, human error or cyber-attacks could impair our ability to effectively provide our products and services, which could damage our brand and reputation and adversely affect our results of operations."

Intellectual Property

Rakuten Group, Inc. is the registered owner of the "Rakuten" trademark and related logos. Rakuten permits group companies to use the trademark as part of our strategy of unifying our brand.

In addition, our group companies have various registered trademarks, copyrights and other intellectual property, including Internet domain names in countries in which we do business or may do business in the future, and patented Internet and communications technologies.

In April 2015, we received the "Commissioner of the Japan Patent Office Award" at the "FY2015 Intellectual Property Achievement Awards" ceremony hosted by METI and the Japan Patent Office. The Intellectual Property Achievement Awards are presented by METI and the Japan Patent Office to individuals and companies in recognition of their contributions to the expansion and development of the intellectual property rights system in Japan. Rakuten received the award as a "Good-standing Company Utilizing the Intellectual Property Rights System," and was the first company in the e-commerce field to receive this award.

We also license certain intellectual property rights, such as rights to use the Internet search engine technology owned by Google LLC, which we license pursuant to one-year agreements that we have renewed with Google on a regular basis.

In March 2020, we announced that we had become a member of the Open Invention Network, an open-source patent cross-licensing organization. By becoming a member of the Open Invention Network, certain patents related to Linux software held by us will become available for cross-licensing. Because the MNO network operated by *Rakuten Mobile* is based in part on open-source software, we believe that our participation in the open-source community will support our efforts to streamline operations and deploy new services.

Properties

Our current head office in Setagaya-ku, Tokyo occupies approximately 63,450 square meters of office space (as well as an approximately 999 square meter annex). We generally lease all of our offices and other facilities.

Employees

As of December 31, 2023, we had 30,830 employees on a consolidated basis. The following table shows the aggregate number of employees by segment:

	As of December 31, 2023
Internet Services	10,831
FinTech	6,070
Mobile	5,415
Company-wide (common)	8,514
Total	30,830

Notes:

(1) 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 Company-wide (common) figure primarily represents the number of employees in the development and administrative that cannot be classified into any segment.

We have not experienced any material strikes or labor disputes since our establishment, and we consider our relations with our employees to be good. Labor unions have been formed at certain of our consolidated subsidiaries.

Legal Proceedings

The Rakuten group is involved from time to time in claims, proceedings, and litigation in the ordinary course of our business. The outcomes of our legal proceedings are inherently unpredictable, subject to significant uncertainties, and could be material to our operating results and cash flows for a particular period. In addition, for some matters for which a loss is probable or reasonably possible, an estimate of the amount of loss or range of loss is not possible and we may be unable to estimate the possible loss or range of losses that could potentially result from the application of nonmonetary remedies.

SUPERVISION AND REGULATION

Reflecting the broad range of our business, we are subject to a number of Japanese, U.S. federal and state, and other foreign laws and regulations that affect Rakuten Group, Inc. and its group companies conducting business. These may involve online marketing, user privacy, rights of publicity, data protection, telecommunications, liability of providers of online services for activities of their users and other third parties, protection of minors, travel agency, used goods trading, financial services, content, intellectual property, distribution, electronic contracts and other communications, competition, consumer protection, and taxation. The following is a summary of the key laws and regulations with which our operations are required to comply.

Japanese Laws and Regulations

Overview

Our operations are divided into three segments: "Internet Services," "FinTech" and "Mobile." Each segment is subject to various laws and regulations of Japan. This section includes a summary of significant Japanese laws and regulations applicable to the operations in each of our three segments.

Internet Services Segment

Operations in our Internet Services segment have been subject to increasing regulation focusing principally on customer protection, as the use of the Internet has become more common. Current key laws and regulations applicable to this segment include the following:

The Act against Unjustifiable Premiums and Misleading Representations

The Act against Unjustifiable Premiums and Misleading Representations of Japan (Act No. 134 of 1962, as amended) stipulates the restricted methods and means of various advertisements, representations and sales promotions, in a broad sense. When we advertise our products or services on the Internet, we must provide appropriate information under this Act, so as not to mislead our users. In addition, we must appropriately provide premiums, such as *Rakuten Points*, in compliance with the regulations under this Act.

The Act on Specified Commercial Transactions

The Act on Specified Commercial Transactions of Japan (Act No. 57 of 1976, as amended) regulates certain commercial transactions, including a commercial transaction for which a contract is entered into through the Internet, or a Specified Internet Transaction. When a seller or a service provider of a Specified Internet Transaction, including us, advertises its products or services, it must appropriately indicate certain information related to its products or services designated in this Act, including, in general, information of prices, shipping charges, timing and methods of payment, timing of delivery and termination, in the advertisement. In addition, this Act requires advertisement of a Specified Internet Transaction through e-mails to be, in general, provided with the express consent of a receiver of the e-mails.

The Act on Regulation of Transmission of Specified Electronic Mail

The Act on Regulation of Transmission of Specified Electronic Mail of Japan (Act No. 26 of 2002, as amended) regulates advertisement through e-mails. Under this Act, advertisement through e-mails must be, in general, provided with the express consent of a receiver of the e-mails, and with certain descriptions designated in this Act in the e-mails, including a contact address to which the receiver may withdraw its consent by sending a notice, and may bring a complaint or ask a question regarding the advertisement.

The Act Concerning the Prohibition of Unauthorized Computer Access

The Act Concerning the Prohibition of Unauthorized Computer Access of Japan (Act No. 128 of 1999, as amended) regulates persons who administer operations of computers which are connected to telecommunication lines. Since we maintain our own servers in Japan, we are subject to this Act. This Act requires us to make efforts to properly manage, verify, and promptly take necessary measures to protect computers from unauthorized access.

The Act on the Limitation of Liability for Damages of Specified Telecommunications Service Providers and the Right to Demand Disclosure of Identification Information of the Senders

The Act on the Limitation of Liability for Damages of Specified Telecommunications Service Providers and the Right to Demand Disclosure of Identification Information of the Senders of Japan (Act No. 137 of 2001, as amended) regulates a provider of telecommunications services that circulates electronic information publicly through the Internet, or a Specified Telecommunications Services Provider, and our certain portal services are subject to such regulations. While this Act limits the scope of liability of a Specified Telecommunications Services Provider that will be incurred when anyone's rights are infringed upon as a result of the circulation of electronic information in connection with its telecommunications services, it requires a Specified Telecommunications Services Provider to disclose certain information related to those who engage in such infringement.

The Act Concerning the Creation of Conditions, for the Safe and Secure Use of the Internet by Young People

The Act Concerning the Creation of Conditions, for the Safe and Secure Use of the Internet by Young People of Japan (Act No. 79 of 2008, as amended) regulates an administrator of servers publicly accessible through the Internet, including us, or a Specified Server Administrator, aiming to protect youths under the age of eighteen. If the Specified Server Administrator learns of any situation where harmful information that materially impairs the sound growth of youths has been provided, or it makes such information available to the public through the Internet by the use of its servers, it will be required under this Act to make efforts to take measures to prevent youths from accessing such information. The Specified Server Administrator is also required to make efforts to establish a system to receive information or inquiries from the public regarding any harmful information provided by the use of its servers, and to prepare and keep records of any measures that it has taken to prevent underage access to harmful information.

The Travel Agency Act

Our travel agency services are subject to, among other laws and regulations, the Travel Agency Act of Japan (Act No. 239 of 1952, as amended). This Act generally requires that those who engage in travel agency services, including those regarding overseas travel, be registered as travel business operators with the Commissioner of the Tourism Agency of Japan (the "JTA"). Rakuten Group, Inc. is registered as a Type 1 Travel Business Operator, or a Type 1 TBO, and supervised by the JTA. In order to secure possible claims against travel business operators by travelers, the Type 1 TBO is required to, directly or indirectly through a travel agency association designated in this Act, deposit a certain amount of funds with the relevant depositary office, and keep the amount of funds at the level designated in this Act and the regulations thereunder. If a Type 1 TBO does not satisfy certain requirements under this Act, or its business operation is otherwise inappropriate or unreasonable, such Type 1 TBO may be subject to administrative or criminal sanctions.

The Secondhand Articles Dealer Act

The Secondhand Articles Dealer Act of Japan (Act No. 108 of 1949, as amended) regulates the business of the sale, purchase or exchange of used goods, such as used mobile phones. Among other things, this Act requires that those who engage in such business be licensed as secondhand articles dealers by the prefectural Public Safety Commission.

FinTech Segment

Operations in our FinTech segment are comprised of five main businesses: issuance of credit cards and money lending business, Internet banking business, online securities and commodity derivatives trading business and crypto asset margin trading business, insurance business, payments business and cryptocurrency exchange service business. The FSA is generally the principal governmental authority supervising financial business in Japan, while METI is a principal governmental authority for credit card business. Each of these businesses is subject to its respective laws and regulations as described below.

Issuance of Credit Cards and Money Lending Business

Our issuance of credit cards and money lending business conducted by *Rakuten Card* is subject to, among other laws and regulations, the following key laws and regulations:

The Installment Sales Act

The Installment Sales Act of Japan (Act No. 159 of 1961, as amended) applies to mediators of installment sales transactions, including credit card companies who pay the purchase price for goods and services to merchants on behalf of their cardholders, and collect such amounts from the cardholders via installment payments. Our credit card business (in Japan) is subject to the provisions of this Act.

Rakuten Card has been registered as a mediator of installment sales transactions with METI in order to conduct its credit card business in Japan. Under this Act, *Rakuten Card* is supervised by METI, which has the authority to issue business improvement orders, to cancel its registration and to issue an order for *Rakuten Card* to suspend all or part of its business operations as a mediator of installment sales transactions when it deems that *Rakuten Card* has violated this Act.

In addition, registered mediators are generally prohibited from issuing credit cards or increasing the limits on credit cards in excess of a certain amount, calculated based on factors such as the annual income of the relevant cardholder.

Under this Act, cardholders have a right to reject payments to registered mediators (such as *Rakuten Card*) by exercising legal defense claims which they may invoke against merchants under certain conditions.

Also, *Rakuten Card* has been registered as a business operator concluding contracts handling credit card numbers.

The Money Lending Business Act

The Money Lending Business Act governs operators of money lending businesses, requiring them to register and adhere to certain strict business regulations.

In accordance with this Act, *Rakuten Card* has registered as a moneylender with the FSA. The Commissioner of the FSA has the authority under this Act to issue business improvement orders when it deems necessary, and to suspend *Rakuten Card*'s businesses and to cancel *Rakuten Card*'s registration as a moneylender upon substantial non-compliance with this Act and failure to comply with certain administrative orders. *Rakuten Card*'s operations are regularly inspected by the Commissioner of the FSA.

In respect of *Rakuten Card*'s lending activities, this Act requires registered moneylenders to deliver a written notice of: (a) the terms and conditions of the loan agreement to borrowers and guarantors at the time of, or promptly after, execution of the loan agreement or any guarantee agreement; and (b) repayment amounts received by the lender and the application of those amounts to the principal and interest owed, as well as the borrower's remaining balance immediately after each repayment, to a person who has made such repayment.

In addition, prior to exercise of a loan, registered moneylenders are required to investigate the ability of borrowers to repay. In case of execution of a loan to individual borrowers, registered money lenders are required to use credit information held by third-party information providers for the abovementioned investigation. Execution of a loan by *Rakuten Card* to an individual borrowers is generally not permitted, if after the execution of such loan, the aggregate amount of outstanding loans of the borrower (excluding the amount of loans contracts for funds necessary for building, or purchasing or improving residential housing) from all registered moneylenders will exceed one-third of the borrower's annual income, provided however that this restriction does not apply in certain cases, including execution of a loan for funds necessary for building, purchasing or improving residential housing.

Certain provisions of this Act also apply to certain loans held by *Rakuten Bank*, which *Rakuten Card* transferred to *Rakuten Bank* on April 1, 2009 in connection with the reorganization of our money lending business.

The Interest Rate Restriction Act

The Interest Rate Restriction Act of Japan (Act No. 100 of 1954, as amended) (the "Interest Rate Restriction Act"), sets limits on the maximum interest rates permissible on loans. Any agreement providing for payment of interest at a rate exceeding the statutory limits is void with respect to the portion of any interest in excess of such limits. This Act applies to our money lending business conducted by *Rakuten Card* and also to our Internet banking business.

The Act on Prevention of Transfer of Criminal Proceeds

Under the Act on Prevention of Transfer of Criminal Proceeds, financial institutions and other entities such as credit card companies are required to perform customer identification procedure and keep records of customer identifications and transactions with customers as prescribed by a ministerial ordinance. This Act also requires to report to a competent authority if they suspect that any property accepted from a customer has been obtained illegally or the customer conducts certain criminal acts.

This Act also applies to our Internet banking business, online securities and commodity derivatives trading business and crypto asset margin trading business, insurance business, fund transfer service business and cryptocurrency exchange service business.

Internet Banking Business

Our Internet banking business conducted by *Rakuten Bank* is subject to various laws and regulations including the following key laws and regulations:

The Banking Act

A bank must be licensed by the Prime Minister of Japan pursuant to the Banking Act and is subject to regulation by the FSA under this Act, including the capital adequacy requirement that was adopted by the FSA based on the Basel III agreement and has been applied incrementally since March 31, 2014. The Commissioner of the FSA has broad regulatory powers over banking businesses in Japan, including the authority to issue an order to suspend all or part of its business operations, and to request information and conduct onsite inspections of books and records. This Act also requires *Rakuten Bank* to maintain its financial credibility, and to secure protection for depositors in view of the public importance of banking services.

Under this Act, a person who intends to hold 20% (or 15%, if the person meets certain criteria raising a presumption that it will have a material effect on the financial and business policy decisions of the company) or more of the voting rights of a bank is required to obtain the advance approval of the Commissioner of the FSA for any acquisition. Further, the Commissioner of the FSA may request the submission of reports or materials from, or may conduct inspections of, any shareholder who holds 20% (or 15%, in the circumstances outlined above) or more of the voting rights of a bank in certain circumstances, and may order such principal shareholder to take such measures as the Commissioner of the FSA deems necessary under certain limited circumstances. Rakuten Group, Inc. has received such approval.

The FIEA

Under the FIEA, registered financial institutions, or RFIs, such as *Rakuten Bank*, are required to provide customers with detailed disclosure regarding the financial products they offer, and take other measures to protect investors, including the delivery of explanatory documents to such customers prior to and upon the conclusion of transactional agreements. RFIs are subject to the supervision of the Commissioner of the FSA. Some of the supervisory authority of the Commissioner of the FSA is further delegated to the Securities and Exchange Surveillance Commission (the "SESC"), which exercises its supervisory power over RFIs by conducting site inspections, and requesting information necessary for such inspections. Non-compliance or interference with such inspections may result in the RFI being subject to administrative sanctions or criminal penalties under the FIEA.

The Act on the Provision of Financial Services and the Development of the Accessible Environment Thereto

The Act on the Provision of Financial Services and the Development of the Accessible Environment Thereto of Japan (Act No. 101 of 2000, as amended) (the "Act on the Provision of Financial Services and the

Development of the Accessible Environment Thereto"), provides for measures to protect financial services customers, by requiring financial services providers, including *Rakuten Bank*, to explain adequately to customers certain material matters such as risks of losses incurred by customers, and the mechanisms of financial products causing losses; requiring financial service providers to ensure that their solicitation of customers to purchase financial products are made in a fair manner, taking into account the customer's knowledge, experience, financial condition, and purpose; and prohibiting financial services providers from providing deceptive or misleading information in respect of uncertain matters in connection with the sale of financial products. Further, this Act holds financial services providers liable for damages caused by a failure to follow these requirements. The amount of damages is refutably presumed by this Act to be the loss of principal.

This Act also applies to our online securities and commodity derivatives trading business and crypto asset margin trading business, and insurance business.

Others

In addition to the foregoing, our Internet banking business is subject to the Interest Rate Restriction Act and the Act on Prevention of Transfer of Criminal Proceeds. For details, see "—Issuance of Credit Cards and Money Lending Business—The Interest Rate Restriction Act" and "—Issuance of Credit Cards and Money Lending Business—The Act on Prevention of Transfer of Criminal Proceeds." Moreover, the BOJ also has supervisory authority over banks in Japan including *Rakuten Bank*, based primarily on its contractual agreements and transactions with the banks.

Online Securities and Commodity Derivatives Trading Business and Crypto Asset Margin Trading Business

Our online securities and commodity derivatives trading business conducted by *Rakuten Securities* and crypto asset margin trading business conducted by *Rakuten Wallet* are each subject to various laws and regulations including the following key laws and regulations:

The FIEA

The FIEA regulates most aspects of transactions and businesses that relate to financial instruments in Japan, including public offerings, private placements, and the secondary trading of securities; ongoing disclosure by securities issuers; tender offers for securities; the organization and operation of securities exchanges and self-regulatory associations; and the registration of financial instruments business operators, or FIBOs, such as *Rakuten Securities* and *Rakuten Wallet*. The Commissioner of the FSA has the authority to regulate financial instruments businesses. The SESC is vested with the authority to conduct day-to-day monitoring of the securities markets, and to investigate irregular activities that hinder the fair trading of securities, including the authority to inspect FIBOs. Furthermore, the Commissioner of the FSA delegates certain authority to the Directors General of Local Finance Bureaus, to inspect local FIBOs and branches. A violation of the applicable laws and regulations may result in various administrative sanctions, including the revocation of a registration or authorization, a suspension of business operations, or an order to discharge any director or audit and supervisory board member who has failed to comply with applicable laws and regulations. In addition, *Rakuten Securities* is subject to the rules and regulations of the Japanese stock exchanges, and *Rakuten Securities* and *Rakuten Wallet* are also subject to the rules and regulations of self-regulatory associations in which each company participates, including the Japan Securities Dealers Association and the Financial Futures Association of Japan with respect to *Rakuten Securities*, and the Japan Virtual and Crypto Assets Exchange Association with respect to *Rakuten Wallet*.

A Type I FIBO, as defined in the FIEA, such as *Rakuten Securities* and *Rakuten Wallet*, is required to maintain adjusted capital at specified levels, as compared with the quantified total of its business risks, on a standalone basis. If a Type I FIBO's capital adequacy ratio falls below 120%, the Commissioner of the FSA may order it to take certain measures to rectify the situation. A Type I FIBO whose ratio falls below 100% may be subject to additional proceedings, including, in certain circumstances, the temporary suspension of its business, or the revocation of its registration as a Type I FIBO.

A shareholder who has acquired 20% (or 15%, if there are certain facts indicative of material influence over the decisions of the company in relation to its financial and operational policies) or more of the voting rights of a Type I FIBO, or a Type I FIBO Principal Shareholder, such as *Rakuten Securities Holdings* and Rakuten Group, Inc., is required to submit a notification describing, among other things, the ownership of the shares and the purpose of the acquisition, to the Commissioner of the FSA. In addition, the Commissioner of the FSA may request the submission of reports or materials from, or may conduct inspections of, any Type I FIBO Principal

Shareholder. In limited circumstances, the Commissioner of the FSA may also order a Type I FIBO Principal Shareholder to take actions to resign from the position as a Type I FIBO Principal Shareholder, including requiring the disposition of such shares as are held by the Type I FIBO Principal Shareholder. A prompt filing with the Commissioner of the FSA is also required when a person or entity ceases to be a Type I FIBO Principal Shareholder.

The Commodity Futures and Exchange Act

Our online commodity derivatives trading business conducted by *Rakuten Securities* is subject to, among other laws and regulations, the Commodity Futures and Exchange Act of Japan (Act No. 239 of 1950, as amended). This Act generally requires those who plan to provide commodity futures business to obtain a license from the relevant authorities for a commodity futures business operator. *Rakuten Securities* has obtained a license for a commodity futures business operator, and is supervised by METI and the Minister of Agriculture, Forestry and Fisheries of Japan. If a commodity futures business operator does not satisfy certain requirements under this Act, or its business operation is otherwise inappropriate or unreasonable, such commodity futures business operator may be subject to administrative or criminal sanctions.

Others

In addition to the foregoing, our online securities and commodity derivatives trading business and crypto asset margin trading business are subject to the Act on Prevention of Transfer of Criminal Proceeds and the Act on the Provision of Financial Services and the Development of the Accessible Environment Thereto. For the details, please see "—Issuance of Credit Cards and Money Lending Business—The Act on Prevention of Transfer of Criminal Proceeds" and "—Internet Banking Business—The Act on the Provision of Financial Services and the Development of the Accessible Environment Thereto."

Insurance Business

Our insurance business, conducted by *Rakuten Life Insurance* and *Rakuten General Insurance*, is subject to certain laws and regulations including the following key laws and regulations:

The Insurance Business Act

Rakuten Life Insurance is engaged in the life insurance business, and has a license from the Prime Minister of Japan under the Insurance Business Act. *Rakuten General Insurance* is engaged in the general insurance business, and has a license from the Prime Minister of Japan under the Insurance Business Act. The Commissioner of the FSA has broad regulatory powers over the insurance business of *Rakuten Life Insurance* and *Rakuten General Insurance*, including the authority to issue an order to suspend all or part of its business operations, to request information regarding its business or financial condition, and to conduct onsite inspections. *Rakuten Life Insurance* and *Rakuten General Insurance* generally must also receive approval from the Commissioner of the FSA for the sale of new products, and to set new pricing terms. This Act requires an insurance company to maintain specified reserves. Solvency margin ratio is one of the indicators by which the FSA monitors financial soundness of insurance company. Insurance companies with solvency margin ratios of 200% or higher are generally considered sound and not requiring prompt corrective action. Also, Rakuten Insurance Holdings Co., Ltd is an insurance holding company principally engaged in the insurance business through its subsidiaries, including *Rakuten Life Insurance* and *Rakuten General Insurance*. Rakuten Insurance Holdings Co., Ltd has obtained a license from the Prime Minister of Japan under the Insurance Business Act. The Commissioner of the FSA has broad regulatory powers over an insurance holding company, including the authority to request the submission of reports or materials from, or conduct onsite inspections of, an insurance holding company with its insurance subsidiaries in certain circumstances, and to order an insurance holding company to take such measures as the Commissioner of the FSA deems necessary under certain circumstances.

Under this Act, a person who intends to hold 20% (or 15%, if the person meets certain criteria raising a presumption that it will have a material effect on the financial and business policy decisions of the company) or more of the voting rights of an insurance company is required to obtain the advance approval of the Commissioner of the FSA for any acquisition. Further, the Commissioner of the FSA may request the submission of reports or materials from, or may conduct onsite inspections of, any shareholder who holds 20% (or 15%, in the circumstances outlined above) or more of the voting rights of an insurance company in certain circumstances, and may order such principal shareholder to take such measures as the Commissioner of the FSA deems necessary under certain limited circumstances. Rakuten Group, Inc. and *Rakuten Card* have received such approval.

Others

In addition to the foregoing, our insurance business is subject to the Act on Prevention of Transfer of Criminal Proceeds and the Act on the Provision of Financial Services and the Development of the Accessible Environment Thereto. For the details, please see "—Issuance of Credit Cards and Money Lending Business—The Act on Prevention of Transfer of Criminal Proceeds" and "—Internet Banking Business—The Act on the Provision of Financial Services and the Development of the Accessible Environment Thereto."

Payments Business and Cryptocurrency Exchange Service Business

As part of our payments business, our prepaid payment instruments business, which supplies prepaid e-money, conducted by *Rakuten Bank*, *Rakuten Edy* and *Rakuten Card*, the fund transfer service business conducted by *Rakuten Edy*, and our cryptocurrency exchange service conducted by *Rakuten Wallet*, are subject to the following laws and regulations:

The Payment Services Act

The Payment Services Act regulates prepaid payment instruments such as prepaid cards and e-money that we sell in Japan. Because we issue such prepaid instruments, we must comply with certain requirements, including an obligation to deposit or enter into certain guarantee contracts for at least 50% of the total amount of the unused amounts represented by the instruments issued as of the end of either the first or third quarter of any year, if such total amount is more than ¥10 million; an obligation to refund any remaining amount of money if we stop selling prepaid cards or e-money, and general restrictions on refunds in other situations; and an obligation to secure any private information obtained in connection with our prepaid cards. We may be subject to administrative or criminal sanctions if we fail to fulfill such obligations. We must also register with the Commissioner of the FSA if our prepaid payment instruments can be used to purchase goods or services that are offered not only by ourselves or other closely related parties, including our affiliates, but also by third parties. We issue such instruments, and *Rakuten Bank*, *Rakuten Edy* and *Rakuten Card* are registered with the Commissioner of the FSA. The Commissioner of the FSA is authorized to issue a business improvement order or business suspension order, or cancel our registration, if we fail to comply with such regulations.

The fund transfer service business conducted by *Rakuten Edy* is also subject to, among other laws and regulations, this Act. *Rakuten Edy* is registered with the Commissioner of the FSA as a fund transfer operator and is supervised by the Commissioner of the FSA. We must also comply with certain other requirements, including an obligation to deposit or enter into certain credit guarantee or trust agreements for amounts greater than ¥5 million or the full amount of our outstanding obligations as a service provider payable to transferees in Japan, plus the costs associated with the exercise of their rights as creditors of our fund transfer service. The Commissioner of the FSA is authorized to issue a business improvement order or business suspension order or cancel *Rakuten Edy*'s registration if *Rakuten Edy* fails to comply with such regulations.

The cryptocurrency exchange service business conducted by *Rakuten Wallet* is also subject to this Act. *Rakuten Wallet* is registered with the Commissioner of the FSA as a cryptocurrency exchange service provider. The Commissioner of the FSA is authorized to issue a business improvement order or business suspension order, or cancel *Rakuten Wallet*'s registration, if *Rakuten Wallet* fails to comply with such regulations.

Others

In addition to the foregoing, our fund transfer service business and cryptocurrency exchange service business are subject to the Act on Prevention of Transfer of Criminal Proceeds. For the details, please see "—Issuance of Credit Cards and Money Lending Business—The Act on Prevention of Transfer of Criminal Proceeds."

Mobile Segment

Telecommunications Business Act of Japan

General

The TBA applies to entities that conduct telecommunications activities such as mobile telecommunications services, fixed-line telecommunications services, DSL access services, and internet and FTTH access services. Pursuant to the TBA, companies that conduct such activities are subject to registration and notification requirements, interconnection requirements, as well as various other regulations.

The following summarizes certain material requirements under the TBA:

Notification or registration of telecommunications business operations

A carrier that installs cable facilities across more than one administrative region, such as terminal facilities installed in multiple municipalities, or relay facilities installed in multiple prefectures, or Registration Carrier is required to register with the Minister of MIC prior to providing telecommunications services. A carrier that does not install terminal and/or relay facilities in multiple administrative regions is only required to notify the Minister of MIC prior to providing telecommunications services.

Registration Carriers, including Rakuten Mobile, Inc., must file a detailed application for registration with the Minister of MIC. Such application must include information on the facilities and equipment, and the target service areas. The Minister of MIC will generally approve the applicant's registration if the Minister of MIC finds that commencement of the applicant's business is not likely to impede fair competition within the telecommunications market or is otherwise appropriate for the sound development of the telecommunications industry of Japan.

Once registration is granted, the Minister of MIC has the authority to rescind a registration in certain cases, including, among others, where the Registered Carrier has breached the TBA or any order or disposition issued under the TBA, and the Minister of MIC considers such breach damaging to the public interest. If a telecommunications carrier violates certain provisions under the TBA, such as by providing telecommunications services without necessary registration or notification or by failing to comply with orders issued by the Minister of MIC, such carrier may be subject to criminal sanctions. In addition, the registration must be renewed when telecommunication facilities of a Registration Carrier are newly designated, based on the number of relay facilities installed in service areas and certain other criteria for local fixed-line systems, as Category I-designated telecommunications facilities or, for mobile telecommunications systems, as Category II-designated telecommunications facilities (excluding the cases where any other telecommunication facilities of the Registration Carrier have already received the same designation). Such renewal must be made within three months of the date of such designation, and if the Registration Carrier fails to renew, the registration becomes void.

Interconnection

Subject to certain exceptions, the TBA requires telecommunications carriers to allow other telecommunications carriers to interconnect with their telecommunications facilities. If operators of Category I-designated telecommunications facilities or Category II-designated telecommunications facilities enter into an agreement with other telecommunications carriers to interconnect with their telecommunications facilities, such agreement must contain the terms of interconnection, including interconnection fees and conditions of interconnection, which have been notified to or approved by the Minister of MIC.

Upon an application by a carrier or both carriers, the Minister of MIC has the power, directly or through its dispute settlement commission, to require negotiation, mediation and arbitration of disputes between telecommunications carriers, to order telecommunications carriers to modify the proposed terms of interconnection.

Universal services

Under the TBA, certain types of calls—calls to public facilities, calls to home telephones and emergency calls to police or fire stations—are considered "Universal Services" (i.e., telecommunications services deemed to be indispensable for daily life). As of the date hereof, the only "qualified carriers" that shall provide Universal Services are NTT East and NTT West. Other carriers that enjoy benefit by interconnecting to the qualified carriers and satisfy certain requirements must share the cost of such services pursuant to a prescribed formula for allocating costs.

Land use privilege

The Minister of MIC may designate a certain carrier as "Approved Carrier"—a carrier who enjoys certain privileges specified in the TBA, such as the ability to obtain rights-of-way to use other parties' land under certain specified circumstances. Rakuten Mobile, Inc. is an Approved Carrier.

In order to become an Approved Carrier, the carrier must submit a detailed application to the Minister of MIC describing matters such as target service areas, planned facilities and equipment, its business plan (containing five-year revenue and expenditure projections), and the identity and qualifications of chief engineers. Review by the Minister of MIC focuses on the applicant's financial and technical capacity and the soundness and reasonableness of its business plan.

This approval is in addition to those required as a registration carrier or a notification carrier, as discussed above.

An Approved Carrier may not refuse to provide telecommunications services relating to its Approved Carrier status without justifiable reason. If the Approved Carrier refuses to provide such services without justifiable reason, the Minister of MIC may order the Approved Carrier to improve its business activities or take other measures to the extent deemed necessary to protect the interests of end users or the public. Further, the Minister of MIC has the authority to rescind the approval in certain cases, including, among others, where the Approved Carrier has breached the TBA or any order or disposition issued under the TBA, and the Minister of MIC considers such breach damaging to the public interest.

Other regulations under the TBA

Protection of end users

The TBA requires telecommunications carriers to explain to end users the terms and conditions (including service charges) of a contract relating to certain telecommunications services prior to execution thereof, to promptly and properly process any customer complaints or inquiries, and to generally notify end users before ceasing or terminating all or part of telecommunications services. The "Guidelines Regarding Protection Rules for Consumers of Telecommunications Business Act," issued by the MIC contain detailed explanations of the above requirements and other consumer protection guidelines, such as the requirement that in soliciting or entering into a telecommunications service contract with an end user, the operator must provide sufficient explanation of such contract to the end user, taking into consideration such end user's knowledge and experiences relating to telecommunications services.

TBA also includes the provisions to ensure the complete separation of usage fees and the purchase price of mobile phones and to correct excessive customer lock-ups by restraint periods.

In addition, the revised TBA, which became effective on June 16, 2023, requires designated telecommunications carriers, including Rakuten Group, Inc. and Rakuten Mobile Inc., from January 19, 2024, to (i) establish regulations concerning the handling of "specified user information," such as information regarding secrecy of communications and specified information that can identify a user, to ensure the proper handling of specified user information, and notify the Minister of MIC, (ii) establish a policy regarding specified user information to ensure transparency in the handling of such information and make such policy public, and (iii) appoint a general manager of specified user information who is responsible for the general management of duties related to protecting specified user information.

Business improvement order

The Minister of MIC may order telecommunications carriers to improve business activities in order to protect the interests of end users or the public. In particular, the Minister of MIC may order telecommunications carriers to improve business activities for reasons such as protecting the privacy of communications, avoiding discriminatory treatment, and giving due consideration to important communications.

Maintenance of facilities

Telecommunications carriers that install telecommunications circuit facilities must maintain their facilities in compliance with specified technical standards and must confirm compliance with such standards and notify to the Minister of MIC before commencing operation of such facilities. If the Minister of MIC determines that such facilities fail to meet the relevant technical standards, the Minister of MIC may order the carrier to improve or repair the facilities or restrict operation of such facilities.

Radio Act

General

The Radio Act regulates licenses for radio transmission stations, radio equipment, radio operators, radio operations and the transmission of radio waves. The Radio Act impacts our mobile telecommunications business, due to the fact that radio waves are used by transmitters to communicate with mobile phones.

License requirement

Any person who intends to establish radio transmission stations must first obtain a license from the Minister of MIC. In particular, mobile telecommunications service providers must obtain a license for each base station and for mobile phones.

The Minister of MIC has introduced a technical standards verification system and a blanket licensing system (which can be used for mobile phones) in order to expedite the licensing process. With certain exceptions, a license under the Radio Act has a term of five years, and is thereafter renewable for additional five-year terms pursuant to the Radio Act. A license holder must generally obtain approval of the Minister of MIC in advance of any operational changes relating to the licensed activities, such as modifications to wireless facilities, changes to the location of wireless facilities or changes to the recipients of wireless communications services, and is subject to periodic inspection of its facilities.

The Minister of MIC has the authority to rescind a license under certain circumstances, and may order cessation for not more than three months, or restriction for a certain period, on the operation of radio stations if the license holder has breached the Radio Act or the Broadcasting Act of Japan (Act No. 132 of 1950, as amended) or any order or disposition under such laws. If a license-holder violates certain provisions under the Radio Act, such as operating a radio transmission station in violation of the terms of its license, such carrier may be subject to criminal sanctions.

Allocation of radio frequency spectrum

Use of radio frequency spectrum in Japan is allocated at the discretion of the Minister of MIC after consultation with the Radio Regulatory Council and consideration of plans submitted by operators.

The Radio Act gives the Minister of MIC the authority to allocate frequency spectrum to private telecommunications providers for the establishment of radio transmission stations. When the Minister of MIC determines that it will allocate frequency spectrum, it must publicly announce the frequency spectrum ranges to be allocated, the planned timeline for allocation and establishment of radio transmission stations, and other matters.

The Minister of MIC first submits a draft of the Allocation Proposal to the Radio Regulatory Council for approval. Once the council gives its response, the Minister of MIC publicly announces the Allocation Proposal, together with details of the application deadlines for carriers.

Any application submitted to the Minister of MIC in connection with an Allocation Proposal must contain, among other matters, evidence of the necessity of establishing radio transmission stations, purposes, a technique for utilization of the applicable frequency spectrum, the proposed number of radio transmission stations and their proposed locations, the timeframe for establishing stations and the service area. In allotting frequency spectrum, MIC generally sets conditions that applicants must satisfy. For example, allocation to *Rakuten Mobile* of 4G and 5G spectrums were subject to several conditions including that (i) *Rakuten Mobile* has a plan of funding and achievement of annual profit within a certain period, and (ii) *Rakuten Mobile* does not engage in certain business transfer or similar transactions with existing mobile operators.

Protection of personal information and other data

In addition to specific regulations described above, appropriate protection of personal information is key for all of our business segments. The Act on the Protection of Personal Information generally governs the protection of personal information in Japan. This Act provides a comprehensive set of personal information protection, which contains provisions imposing obligations on certain business operators, including us, that utilize or maintain databases containing personal information. Pursuant to this Act, such business operators are

required to (i) specify the purpose of the use of the personal information, (ii) refrain from using the personal information beyond such purpose, except in cases permitted under this Act, (iii) refrain from disclosing the personal information to a third party without obtaining the prior consent of the person to whom such information relates, except in cases permitted under this Act, and (iv) take necessary and appropriate measures to securely manage and prevent leakage, damage, and loss of the personal information. Business operators, among other prohibitions, are prohibited from disclosing individual-related information (*kojin-kanren-jouho*), including certain types of cookies, to any third parties who can identify such information as personal information, without confirming the prior consent of the person to be identified by such disclosure.

Further, the Personal Information Protection Commission, or PPC and governmental authorities, such as the FSA and MIC publish guidelines for personal information protection, and each entity handling personal information is subject to the guidelines that apply to it. For example, certain businesses in our FinTech segment are required to handle personal information in accordance with the "Guidelines on Personal Information Protection in the Financial Industry" published by the FSA. Noncompliance with an order issued by the PPC to take necessary measures to comply with this Act will subject to administrative or criminal sanctions. In addition, the MIC published "Guidelines Regarding Protection of Personal Information for Telecommunications Business" for the protection of personal information acquired by telecommunications carriers. It allows telecommunications carriers to maintain records of communications to the extent necessary for billing, invoicing, processing of customer complaints, avoiding wrongful use or to the extent otherwise necessary in the performance of their telecommunications business.

Additionally, the Japan Fair Trade Commission published "Guidelines Concerning Abuse of a Superior Bargaining Position in Transactions between Digital Platform Operators and Consumers that Provide Personal Information," which states types of abuses of a superior bargaining position by a digital platform operator acquiring personal information and other data from consumers.

Directors and Audit and Supervisory Board Members

Our board of directors has the ultimate responsibility for the administration and supervision of our affairs. Our articles of incorporation provide for a board of directors consisting of not more than sixteen members. Currently, we have twelve directors, all of whom were elected by our general meeting of shareholders. The normal term of office for directors expires at the close of the ordinary general meeting of shareholders held with respect to the last settlement of accounts within one year after such director's assumption of office, although directors may serve any number of consecutive terms. Our board of directors may elect, from among its members, a Chairman, a President and several Vice Chairmen, several Executive Vice Presidents, several Senior Vice Presidents and several Managing Directors. Our board of directors also elects one or more Representative Directors from among its members. Each of the Representative Directors has the authority to represent us in the conduct of our affairs. Currently, we have three Representative Directors. We also appoint outside directors in order to strengthen oversight functions and enhance management transparency. Currently, we have seven outside directors.

Our articles of incorporation provide for not more than four audit and supervisory board members. Currently, we have four audit and supervisory board members. Under the Companies Act, the audit and supervisory board members are not required to be certified public accountants. The audit and supervisory board members may not at the same time be directors, managers, any other type of employees or accounting advisors (*kaikei sanyo*) of us or any of our subsidiaries or officers of any of our subsidiaries, and at least one-half of them must satisfy the requirements for an outside audit and supervisory board member under the Companies Act (currently, we have three outside audit and supervisory board members), and at least one of the audit and supervisory board members must be a full-time audit and supervisory board member. The audit and supervisory board members are elected at our general meeting of shareholders. The normal term of office for audit and supervisory board members expires at the close of the ordinary general meeting of shareholders held with respect to the last settlement of accounts within four years after such audit and supervisory board member's assumption of office, although audit and supervisory board members may serve any number of consecutive terms.

Each audit and supervisory board member has a statutory duty of supervising the administration of our affairs by the directors, examining the financial statements and business reports to be submitted by a Representative Director to the general meetings of shareholders and preparing an audit report. They are obligated to participate in meetings of the board of directors and, if necessary, to express their opinion at such meeting, but are not entitled to vote.

The audit and supervisory board members form the audit and supervisory board. The audit and supervisory board has a statutory duty to prepare an audit report based on the audit reports issued by the individual audit and supervisory board members each fiscal year. An audit and supervisory board member may note an opinion in the audit report if an audit and supervisory board member's opinion is different from the opinion expressed in the audit report issued by the audit and supervisory board. The audit and supervisory board is empowered to establish audit principles, the method of examination by the audit and supervisory board members of our affairs and financial position and any other matters relating to the performance of the audit and supervisory board members' duties.

We have entered into an audit agreement with our independent auditor, Ernst & Young ShinNihon LLC, who has the statutory duties of examining our financial statements.

The following table provides information regarding directors and audit and supervisory board members of the Company as of the date of this offering circular:

Name	Title	Director/ Audit and Supervisory Board Member Since
Hiroshi Mikitani	Representative Director, Chairman, President and Chief Executive Officer	February 1997
Masayuki Hosaka	Representative Director and Vice Chairman	March 2014
Kentaro Hyakuno	Representative Director, Group Executive Vice President and COO	March 2021
Kazunori Takeda	Director and Group Executive Vice President	March 2023
Kenji Hirose	Director and Group Executive Vice President, CFO	March 2023
Takaharu Ando[(1), (2)]	Director	March 2023
Sarah J. M. Whitley[(1), (2)]	Director	March 2019
Tsedal Neeley[(1), (2)]	Director	March 2023
Charles B. Baxter[(1), (2)]	Director	March 2011
Shigeki Habuka[(1), (2)]	Director	March 2023
Takashi Mitachi[(1), (2)]	Director	March 2016
Jun Murai[(1), (2)]	Director	March 2012
Yoshito Naganuma	Audit and Supervisory Board Member (Full-time)	March 2023
Futoshi Nakamura[(2), (3)]	Audit and Supervisory Board Member (Full-time)	March 2024
Maki Kataoka[(2), (3)]	Audit and Supervisory Board Member	March 2023
Katsuyuki Yamaguchi[(2), (3)]	Audit and Supervisory Board Member	March 2001

Notes:
(1) Outside directors stipulated under the Companies Act of Japan.
(2) Independent director or audit and supervisory board member specified by the regulations of the Tokyo Stock Exchange.
(3) Outside audit and supervisory board members stipulated under the Companies Act of Japan.

Hiroshi Mikitani

April 1988	Joined The Industrial Bank of Japan, Limited (currently Mizuho Bank, Ltd.)
May 1993	Received MBA from Harvard Business School
February 1996	President and Representative Director (currently Representative Partner) of Crimson Group, Inc. (currently Crimson Group, LLC) (current position)
February 1997	Founder and President and Representative Director of the Company
February 2001	Chairman and President and Representative Director of the Company (current position)
March 2004	Chief Executive Officer of the Company (current position)
April 2006	Chairman and Representative Director of Crimson Football Club, Inc. (currently Rakuten Vissel Kobe, Inc.) (current position)
February 2010	Representative Director of Japan e-business Association (currently Japan Association of New Economy) (current position)
October 2011	Chairman of Tokyo Philharmonic Orchestra (current position)
August 2012	Chairman and Representative Director and team owner of Rakuten Baseball, Inc. (current position)
July 2016	Group Company Division Group President of the Company (current position)
July 2017	Chairman and Representative Director of Rakuten Aspyrian Japan, K.K. (currently Rakuten Medical K.K.) (current position)
February 2020	Director of AST & Science, LLC (now AST SpaceMobile, current position)
March 2022	Representative Director and Chairman of Rakuten Mobile, Inc. (current position)
March 2022	Director and Chairman of Rakuten Card Co., Ltd. (current position)
April 2022	Executive Chairman of Rakuten Bank, Ltd. (current position)
April 2022	Vice Chairman of the Board & Co-CEO of Rakuten Medical, Inc. (current position)
June 2022	Director and Chairman of Rakuten Payment, Inc. (current position)
July 2022	Director and Chairman of Rakuten Insurance Holdings Co., Ltd. (current position)
October 2022	Executive Chairman of Rakuten Securities Holdings, Inc. (current position)
August 2023	Representative Director, Chairman and CEO of Rakuten Symphony, Inc. (current position)

Masayuki Hosaka

April 1980	Joined ORIX Credit Corporation
December 2003	General Manager of Personal Finance Department of the Company
May 2005	Executive Officer of the Company
April 2009	President and Representative Director of Rakuten Credit, Inc. (currently Rakuten Card Co., Ltd.) (current position)
February 2013	Managing Executive Officer of the Company
January 2014	Executive Vice President of the Company
March 2014	Representative Director of the Company (current position)
April 2016	Vice Chairman of the Company (current position)
July 2016	President of Card & Payments Company (currently FinTech Group Company) of the Company (current position)

Kentaro Hyakuno

June 1990	Joined Toyota Motor Corporation
February 2007	Executive Officer of the Company
July 2009	Managing Executive Officer of the Company
March 2013	Director & Managing Executive Officer of the Company
March 2016	Retired as Director of the Company
April 2016	Managing Executive Officer & COO of the Company
April 2017	Executive Vice President & COO of the Company
March 2021	Director, Group Executive Vice President & COO of the Company
July 2021	Director of JP Rakuten Logistics, Inc. (current position)
March 2022	Representative Director, Group Executive Vice President & COO of the Company (current position)
March 2022	Director of Rakuten Communications Corp. (current position)
April 2022	Director and Vice Chairman of Rakuten Symphony, Inc.
April 2022	President of Communications & Energy Company of the Company (current position)

Kazunori Takeda

April 1986	Joined Toyota Motor Corporation
May 1993	Earned an MBA at Harvard University
July 2006	Managing Executive Officer of the Company
November 2006	Managing Executive Officer & COO of the Company
March 2007	Director, Managing Executive Officer & COO of the Company
March 2016	Retired as Director of the Company
June 2016	Director of Toyooka Tourism Innovation (current position)
July 2016	President of Life & Leisure Company of the Company
April 2018	Executive Vice President of the Company
July 2018	President of Commerce Company of the Company
June 2019	Outside Director of Gurunavi, Inc. (current position)
March 2021	Director of SY Holdings, Co. Ltd. (currently Seiyu Holdings, Co., Ltd.) (current position)

July 2021	Representative Director and Chairman of JP Rakuten Logistics, Inc. (current position)
April 2022	President of Ad & Marketing Company of the Company
January 2023	President of Commerce & Marketing Company of the Company (current position)
March 2023	Director and Group Executive Vice President of the Company (current position)

Kenji Hirose

April 1985	Joined the Sanwa Bank, Ltd. (currently MUFG Bank, Ltd.)
September 2005	Joined Rakuten Securities, Inc.
January 2006	General Manager of Financial Business Department of the Company
November 2006	Executive Officer of the Company
March 2012	Managing Executive Officer of the Company
July 2016	Managing Executive Officer & CCO of the Company
April 2018	Managing Executive Officer, CFO & CRO of the Company
January 2019	Executive Vice President, CFO & CRO of the Company
February 2019	Executive Vice President & CFO of the Company
July 2021	Audit and Supervisory Board Member of JP Rakuten Logistics, Inc. (current position)
March 2023	Director and Group Executive Vice President, CFO of the Company (current position)

Takaharu Ando

April 1972	Joined the National Police Agency
January 1996	Executive Secretary to the Prime Minister of Japan
August 1999	Director of Public Security Bureau of Metropolitan Police Department
August 2004	Director General of Commissioner General's Secretariat of National Police Agency
June 2009	Commissioner General of National Police Agency
May 2013	Outside Director of Nitori Holdings Co., Ltd.
June 2016	Outside Director of AMUSE INC. (current position)
June 2017	Outside Director of ZENSHO HOLDINGS CO., LTD. (current position)
June 2018	Outside Director of TOBU RAILWAY CO., LTD. (current position)
May 2020	Outside Director (Member of the Audit and Supervisory Committee) of Nitori Holdings Co., Ltd.
June 2022	Outside Director (Member of the Audit and Supervisory Committee) of Nisshin Seifun Group Inc. (current position)
March 2023	Outside Director of the Company (current position)

Sarah J. M. Whitley

September 1980	Joined Baillie Gifford & Co.
May 1986	Partner of Baillie Gifford & Co.
March 2019	Outside Director of the Company (current position)
May 2019	Trustee of Foundation Scotland (current position)
May 2019	Chair of Edinburgh International Festival Endowment Fund (current position)
June 2019	Trustee of The Royal Scottish Academy Foundation (current position)

December 2021	Trustee of The Abbotsford Trust (current position)
January 2022	Chair of Scottish Episcopal Church Pension Fund (current position)

Tsedal Neeley

July 2007	Assistant Professor of Harvard Business School
July 2012	Associate Professor of Harvard Business School
December 2015	Outside Director of The Partnership, Inc. (current position)
July 2018	Naylor Fitzhugh Professor of Business Administration at Harvard Business School (current position)
July 2019	Director of Harvard Business Publishing
June 2020	Outside Director of Brown Capital Management, LLC (current position)
July 2020	Outside Director of Brightcove, Inc. (current position)
July 2020	Senior Associate Dean of Faculty Development and Research of Harvard Business School (current position)
January 2021	Faculty Chair of the Christensen for Teaching and Learning of Harvard Business School (current position)
March 2023	Outside Director of the Company (current position)

Charles B. Baxter

October 1998	CEO of eTranslate, Inc.
March 2001	Director of the Company
March 2003	Retired as Director of the Company
September 2005	Manager of LinkShare Corporation (currently Rakuten Marketing LLC) (current position)
March 2011	Director of the Company
February 2012	Chairman and Director of Rakuten USA, Inc. (current position)
January 2015	Chairman of Reyns Holdco, Inc. (current position)
November 2021	Director of Wineshipping.com LLC (current position)
March 2023	Outside Director of the Company (current position)

Shigeki Habuka

April 1981	Joined the Ministry for Finance of Japan
July 2003	Director of the Budget Bureau of the Ministry of Finance
July 2005	Director of the Indirect Tax Policy Division, Tax Bureau of the Ministry of Finance
January 2008	Deputy Director-General of the Ministry of Defense
September 2009	Executive Secretary to the Prime Minister
September 2011	Deputy Director-General of the Budget Bureau of the Ministry of Finance
January 2014	Director General of the Cabinet Office
June 2016	Vice-Minister for Policy Coordination of the Cabinet Office
November 2017	Executive Officer of Corporate Strategy Department of Mitsubishi Chemical Holdings Corporation (currently Mitsubishi Chemical Group Corporation)
April 2019	Corporate Executive Officer (co-charge of the Public Policy and Relation Office and the PR and IR Office (PR)) of Mitsubishi Chemical Holdings Corporation (currently Mitsubishi Chemical Group Corporation)

April 2022	Corporate Executive Officer and Senior Vice President (supervising Government Affairs) of Mitsubishi Chemical Group Corporation
March 2023	Outside Director of the Company (current position)

Takashi Mitachi

April 1979	Joined Japan Airlines Co., Ltd.
June 1992	Received MBA from Harvard Business School
October 1993	Joined The Boston Consulting Group
January 1999	Vice President & Partner of The Boston Consulting Group
January 2005	Japan Co-chair of The Boston Consulting Group
May 2005	Managing Director & Senior Partner of The Boston Consulting Group
March 2016	Outside Director of the Company (current position)
June 2016	Outside Director of Lotte Holdings Co., Ltd. (current position)
March 2017	Outside Director of DMG MORI CO., LTD. (current position)
June 2017	Board Member of Ohara Museum of Art (current position)
June 2017	Outside Director of Tokio Marine Holdings, Inc. (current position)
October 2017	Senior Advisor of The Boston Consulting Group
March 2018	Chief Executive Director of Ronald McDonald House Charities Japan (current position)
April 2020	Distinguished Professor of the Graduate School of Management, Kyoto University (current position)
June 2022	Outside Director of SUMITOMO CORPORATION (current position)

Jun Murai

August 1984	Assistant at Information Processing Center of Tokyo Institute of Technology
March 1987	Received Ph. D in Engineering from Keio University
April 1987	Assistant at Large-scale Computer Center, the University of Tokyo (currently Information Technology Center, the University of Tokyo)
April 1990	Associate Professor of Faculty of Environment and Information Studies of Keio University
April 1997	Professor of Faculty of Environment and Information Studies of Keio University
May 2005	Vice-President of Keio Gijuku Educational Corporation
October 2009	Dean of Faculty of Environment and Information Studies of Keio University
September 2011	Outside Director of BroadBand Tower, Inc. (current position)
March 2012	Outside Director of the Company (current position)
October 2017	Dean of the Graduate School of Media and Governance of Keio University
June 2018	Outside Director of LAC Co., Ltd. (current position)
April 2020	Professor of Keio University (current position)
October 2020	Special Advisor to the Cabinet of the Government of Japan (current position)
September 2021	Advisor to the Digital Agency (current position)
October 2022	Director of World Wide Web Consortium, Inc. (current position)
July 2023	Advisor to the International House of Japan, Inc. (current position)

Yoshito Naganuma

April 1988	Joined Nichido Fire & Marine Insurance Co., Ltd. (currently Tokio Marine & Nichido Fire Insurance Co., Ltd.)
April 2002	Manager of Financial Planning Department of Nichido Fire & Marine Insurance Co., Ltd. (currently Tokio Marine & Nichido Fire Insurance Co., Ltd.) and Manager of Operation Audit Group, Legal Risk Management Department of Millea Holdings, Inc. (currently Tokio Marine Holdings, Inc.)
April 2003	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.)
October 2004	Deputy Manager of Sapporo Business Accounting Group, Business Accounting Service Department of Tokio Marine & Nichido Fire Insurance Co., Ltd.
November 2005	Joined bitWallet, Inc. (currently Rakuten Edy, Inc.)
May 2013	Executive Officer & General Manager of Administration Department of Rakuten Edy, Inc.
July 2018	Executive Officer & General Manager of Brand Policy Department of Rakuten Edy, Inc.
April 2019	Executive Officer & Office Manager of Internal Audit Office of Rakuten Edy, Inc. and General Manager of Corporate Planning Department of Rakuten Socio Business, Inc.
April 2022	General Manager of Planning Division and General Manager of Corporate Planning Department of Rakuten Socio Business, Inc.
October 2022	General Manager of Management Division, General Manager of Corporate Planning Department, and General Manager of Human Resources Department of Rakuten Socio Business, Inc.
January 2023	General Manager of Business Management Division and General Manager of Business Management Department of Rakuten Socio Business, Inc.
March 2023	Audit and Supervisory Board Member (full-time) of the Company (current position)

Futoshi Nakamura

April 1981	Joined The Japan Tobacco and Salt Public Corporation (currently JAPAN TOBACCO INC.)
July 1990	Vice President & CFO of JT America Inc.
July 1994	Deputy Director, Finance Department of JAPAN TOBACCO INC.
January 2000	Deputy General Manager, Corporate Planning Division of JAPAN TOBACCO INC.
September 2005	Vice President, Internal Audit of JT International Inc.
July 2009	Director, General Manager, Accounting Department of JAPAN TOBACCO INC.
July 2010	Director, General Manager, Audit Department of JAPAN TOBACCO INC.
June 2012	Full-time Audit & Supervisory Board Member of JAPAN TOBACCO INC.
June 2018	Full-time Audit & Supervisory Board Member of J-Pharma Co., Ltd.
March 2024	Outside Audit and Supervisory Board Member (full-time) of the Company (current position)

Maki Kataoka

April 1982	Joined Arthur Andersen LLP (currently KPMG AZSA LLC)
May 1987	Registered as a Certified Public Accountant
June 1989	Earned MBA at the Stanford Business School
August 1989	Joined Sanwa Research Institute Corp. (currently Mitsubishi UFJ Research and Consulting Co., Ltd.)
April 1994	Joined Tokyo Metropolitan Police Department
March 2009	Director of Tokyo Metropolitan Police Department
March 2014	Professor of the National Police Academy
August 2017	Executive Director of Tokyo Metropolitan Police Department
October 2018	Public Relations Advisor of Regional Public Relations Administration Group, HQ General Affairs Department of Sony Corporation (currently Sony Group Corporation)
June 2020	Outside Audit and Supervisory Board Member of SHIBAURA ELECTRONICS CO., LTD. (current position)
April 2022	Member of Public Interest Commission of Cabinet Office (current position)
March 2023	Outside Audit and Supervisory Board Member of the Company (current position)

Katsuyuki Yamaguchi

April 1991	Registered with Dai-ichi Tokyo Bar Association Joined Nishimura & Partners (currently Nishimura & Asahi (Gaikokuho Kyodo Jigyo))
May 1997	Graduated from Columbia Law School (LL.M.)
September 1997	Served Debevoise & Plimpton LLP in New York
January 1998	Admitted as Attorney-at-law in New York, USA
May 1998	Served Debevoise & Plimpton LLP in Paris
February 1999	Served Simeon & Associes in Paris
July 1999	Reinstated at Nishimura & Partners (currently Nishimura & Asahi (Gaikokuho Kyodo Jigyo))
August 2000	Attorney and Partner of Nishimura & Partners (currently Nishimura & Asahi (Gaikokuho Kyodo Jigyo))
March 2001	Outside Audit and Supervisory Board Member of the Company (current position)
July 2007	Outside Audit and Supervisory Board Member of FreeBit Co., Ltd. (current position)
September 2018	Managing Partner of Nishimura & Asahi NY LLP (current position)

Agreements with our Directors and Audit and Supervisory Board Members

Our articles of incorporation provide that we may enter into agreements with our directors (excluding executive directors, etc. as defined under the Companies Act) and audit and supervisory board members to limit their respective liabilities to us in accordance with the Companies Act. We have entered into such agreements with our directors (excluding executive directors, etc. as defined under the Companies Act) and our audit and supervisory board members to limit their respective liabilities to us to the total amount stipulated in Article 425, paragraph (1) of the Companies Act, so long as those directors or audit and supervisory board members act in good faith and without gross negligence in performing their duties.

SUBSIDIARIES AND AFFILIATES

We had 208 consolidated subsidiaries and 58 affiliates accounted for under the equity method as of December 31, 2023. The following table provides information with respect to our principal consolidated subsidiaries and affiliates accounted for under the equity method as of December 31, 2023.

Name	Country of Organization	Issued capital	Percentage of voting interest held directly or indirectly by the Rakuten group[1]	Main business
Consolidated Subsidiaries				
Ebates Inc.	United States	$ 0.1	100.0% (100.0%)	Cash back site operator
Rakuten Kobo Inc.	Canada	C$ 973 million	100.0% (100.0%)	E-reading service
Viber Media S.a.r.l.	Luxemburg	$ 217 thousand	100.0%	Messaging and VoIP
Rakuten Card Co., Ltd.[2]	Japan	¥ 19,324 million	100.0%	Credit card services
Rakuten Bank, Ltd.	Japan	¥ 32,616 million	49.27%	Digital banking
Rakuten Securities, Inc.	Japan	¥ 19,496 million	51.0% (51.0%)	Online securities
Rakuten Life Insurance Co., Ltd.	Japan	¥ 7,500 million	100.0% (100.0%)	Life insurance
Rakuten General Insurance Co., Ltd.	Japan	¥ 20,153 million	100.0% (100.0%)	General insurance
Rakuten Payment, Inc.	Japan	¥ 100 million	97.61% (97.61%)	Credit card settlement service on smartphones and tablets
Rakuten Mobile, Inc.[3]	Japan	¥ 100 million	100.0%	Mobile telecommunication service
Rakuten Energy, Inc.	Japan	¥ 31 million	100.0%	Retail electricity services
Rakuten Symphony Singapore Pte. Ltd.	Singapore	S$ 353 million	100.0% (100.0%)	Communication platform development
Equity-Method Affiliates				
Rakuten Medical, Inc.	United States	$ 384 thousand	21.74%	Development of medical products and equipment

Notes:

(1) Figures in parentheses in the voting interest percentage column are indirect voting interest percentages and are included in the total number of voting interests held.

(2) On September 30, 2024, we announced that *Rakuten Card* and Mizuho Financial Group, Inc. agreed to consider a new strategic capital and business alliance. Further to this announcement, Rakuten Group and Mizuho Financial Group concluded a share sale agreement on November 13, 2024, pursuant to which Mizuho Financial Group agreed to purchase 14.99% of the outstanding shares of *Rakuten Card* for a purchase price of ¥164,997 million, as well as a related shareholder agreement in respect of the shares of *Rakuten Card*. This purchase was completed on December 1, 2024. We expect that *Rakuten Card* will continue to be a consolidated subsidiary of Rakuten Group, Inc. Rakuten Insurance Holdings Co., Ltd., previously a 100% consolidated subsidiary of *Rakuten Card*, will not be included in the alliance and its shares have been transferred to Rakuten Group, Inc. See "Business—Our Business Operations—FinTech Segment—Credit Card Business—Strategic Capital and Business Alliance between *Rakuten Card* and Mizuho Financial Group, Inc. and Business Alliance Among Rakuten Group, *Rakuten Card*, Mizuho Financial Group, Mizuho Bank, UC Card and Orient Corporation."

(3) All shares of *Rakuten Mobile* are entrusted by us to Rakuten Trust Co., Ltd. This is a mechanism designed to protect investors in the securitization of *Rakuten Mobile*'s telecommunication fee receivables. Under this mechanism, if conditions are met such as our credit rating falling below a certain level, the authority to give instructions for all voting rights will be transferred to an independent third party entity named RM Trust, and *Rakuten Mobile* will be able to prevent any impact due to the diminishment of our creditworthiness. Because we currently hold beneficiary rights including the authority to give instructions for all voting rights, it is included in the percentage of voting rights held.

DESCRIPTION OF THE NOTES

The following description of the notes is a summary of the detailed provisions of the notes and the Indenture (as defined below). It does not purport to be complete. This summary is subject to and is qualified in its entirety by reference to all the provisions of the notes and the Indenture, including the definitions of certain terms used therein. We urge you to read those documents in their entirety prior to making an investment decision because they, and not this description, define the rights of holders of the notes. Whenever particular sections or defined terms of the Indenture not otherwise defined herein are referred to, such sections or defined terms are incorporated herein by reference. You may request copies of those documents upon written request from the Trustee, Citicorp International Limited, located at 40/F, Champion Tower, Three Garden Road, Central, Hong Kong. The Indenture is not required to be nor will it be qualified under and will not be subject to the U.S. Trust Indenture Act of 1939, as amended.

We will issue $550,000,000 aggregate principal amount of 8.125% Undated Subordinated NC5 Fixed Rate Reset Notes (the "notes") pursuant to an indenture to be dated on or around December 13, 2024 (the "Indenture") between us, Citicorp International Limited as trustee (the "Trustee") and Citibank, N.A., London Branch as paying agent, calculation agent, transfer agent and registrar.

Form and Denomination

The notes will be issued only in fully registered form without interest coupons. We will issue the notes in minimum denominations of $200,000 and integral multiples of $1,000 in excess thereof. The notes will be represented by one or more registered notes in global form without coupons and in certain circumstances may be represented by registered notes in definitive form.

The notes have not been and will not be registered with the U.S. Securities and Exchange Commission (the "SEC"), and are being offered and sold by the initial purchasers or their affiliates (i) outside the United States in offshore transactions only to non-U.S. persons in reliance on Regulation S and (ii) to "qualified institutional buyers" in reliance on Rule 144A.

Status and Subordination of the Notes

The notes will be our direct, unsecured and subordinated obligations and will rank *pari passu* and without any preference among themselves. The rights and claims of the holders are subordinated as described in "—Subordination."

Subordination

General

Upon the occurrence of a Subordination Event, our obligations pursuant to the notes will be subordinated in right of payment (except as otherwise provided by mandatory provisions of law) to all Senior Obligations, rank substantially *pari passu* with all Parity Obligations and rank senior to all Junior Obligations. So long as such Subordination Event continues, no payment will be made with respect to such note unless and until the relevant Subordinate Payment Conditions have been satisfied, and to the extent any Senior Preference Shares are then outstanding, the holder of such note will only become entitled to the Subordination Claim Amount. We will, as soon as practicable after the occurrence of any Subordination Event, cause notice of its occurrence to be given to the Trustee, the Paying Agent, any stock exchange on which the notes are for the time being listed or admitted to trading and the holders.

No amendment or modification to the subordination provisions contained in the Indenture that is prejudicial to any creditor in respect of any of our present or future Senior Obligations shall be made in any respect. No such amendment or modification shall in any event be effective against any such creditor.

Nothing contained under "—Subordination—General" will affect or prejudice the payment of the costs, charges, expenses, liabilities or remuneration of the Trustee or the Agents or the rights and remedies of the Trustee or the Agents in respect thereof.

Accordingly, and without prejudice to the rights of the Trustee or the Agents, the claims of holders of all Senior Obligations will first have to be satisfied in any winding-up or administration before the holders may

expect to obtain any recovery in respect of their notes and prior thereto holders will have only limited ability to influence the conduct of such winding-up or administration. See "Risk Factors—Risks Relating to the Notes—Our obligations under the notes are subordinated, and will be terminated completely upon the occurrence of a Claim Rights Termination Event."

Set-off

Subject to applicable law, no holder may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by us in respect of, or arising under or in connection with the notes and each holder will, by virtue of his holding of any note, be deemed to have waived all such rights of set-off, compensation or retention.

Interest Payments

Interest Rate

The notes will bear interest on their principal amount at the applicable Interest Rate from (and including) December 13, 2024 (the "Issue Date") as described below.

Accrual of Interest

The notes will cease to bear interest from (and including) the date of redemption thereof as provided under "—Maturity and Redemption," unless, upon due presentation, payment of all amounts due in respect of the notes is not made, in which event interest will continue to accrue in respect of unpaid amounts on the notes, both before and after judgment, and will be payable, as provided herein up to (but excluding) the Relevant Date.

Interest on the notes will be calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed. Interest will be computed by rounding the resultant figure to the nearest cent, half a cent being rounded upwards.

Where it is necessary to calculate an amount of interest in respect of any note for a period of more than one Interest Period, such interest will be the aggregate of the interest payable in respect of a full Interest Period plus the interest payable in respect of the remaining period calculated in the manner above.

Interest in respect of any note will be calculated per $1,000 in principal amount thereof (the "Calculation Amount"). The amount of interest payable per Calculation Amount for any period will be equal to the product of the relevant Interest Rate, the Calculation Amount and the day count fraction for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards). The amount of interest payable in respect of each note will be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the denomination of such note without any further rounding.

Initial Interest Rate

For each Interest Period ending on or before the First Reset Date, the notes will bear interest at the rate of 8.125 percent per annum. Interest will be payable semi-annually in arrears on the Interest Payment Dates in each year.

Reset Interest Rate

For each Interest Period which commences on or after the First Reset Date, the notes will bear interest at the relevant Reset Interest Rate. Such interest rate will be calculated as follows:

Reset Interest Rate = *5 Year Treasury Rate + Margin*

as determined by the Calculation Agent and where:

"5 Year Treasury Rate" means with respect to any Reset Date for which such rate applies, the rate per annum equal to: (1) the yield, under the heading which represents the average for the week immediately prior to the day falling two business days prior to the first day of the relevant Reset Period (a "Reset Interest Determination Date"), appearing in the most recently published statistical release designated "H.15," or any

successor publication that is published by the Board of Governors of the Federal Reserve System that establishes yields on actively traded U.S. Treasury securities adjusted to constant maturity, under the caption "Treasury Constant Maturities," for the maturity of five years; or (2) if such release (or any successor release) is not published during the week immediately prior to the Reset Interest Determination Date or does not contain such yields, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, calculated using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such Reset Date;

If the U.S. Treasury Rate cannot be determined, for whatever reason, as described under (1) or (2) above, "U.S. Treasury Rate" means the rate in percentage per annum as notified by the Calculation Agent to us equal to the yield on U.S. Treasury securities having a maturity of five years as set forth in the most recently published statistical release designated "H.15 (519)" under the caption "Treasury constant maturities" (or any successor publication that is published weekly by the Board of Governors of the Federal Reserve System and that establishes yields on actively traded U.S. Treasury securities adjusted to constant maturity under the caption "Treasury constant maturities" for the maturity of five years) at 5:00 p.m. (New York City time) on the last available date preceding the Reset Interest Determination Date on which such rate was set forth in such release (or any successor release).

"Comparable Treasury Issue" means, with respect to any Reset Period, the U.S. Treasury security or securities selected by the Independent Investment Banker with a maturity date on or about the last day of such Reset Period, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities denominated in U.S. dollars and having a tenor of five years.

"Comparable Treasury Price" means, with respect to any Reset Date, (1) the average of three Reference Treasury Dealer Quotations for such Reset Date or (2) if the Independent Investment Banker is unable to obtain three Reference Treasury Dealer Quotations for such Reset Date, the average of all quotations obtained.

"Independent Investment Banker" means an independent investment banking or commercial banking institution of national standing appointed by us;

"Primary Treasury Dealer" means a primary U.S. government securities dealer;

"Reference Treasury Dealer" means (a) each of Morgan Stanley & Co. LLC (or its affiliates that are Primary Treasury Dealers) and its successors, and (b) other Primary Treasury Dealers selected by us in good faith; provided, however, that if any of the foregoing ceases to be a Primary Treasury Dealer, we shall substitute therefor another Primary Treasury Dealer;

"Reference Treasury Dealer Quotation" means, with respect to each Reference Treasury Dealer and any Reset Date, the average, as determined by the Independent Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Investment Banker at 3:30 p.m., New York City time, on the third New York business day preceding the Reset Date;

"Margin" means (i) in respect of each Reset Period which falls in the period beginning on the First Reset Date and ending on (but excluding) the Second Step-up Date, the Initial Credit Spread plus the First Step-up Margin; and (ii) each Reset Period which falls in the period commencing on (and including) Second Step-up Date, the Initial Credit Spread plus the Second Step-up Margin;

"Second Step-up Date" means December 15, 2044 (for the avoidance of doubt, the date to be 15 years after the First Reset Date); provided, however that if the ICR assigned to us by S&P is Investment Grade on any date following the Issue Date, then the Second Step-up Date shall be changed to December 15, 2049 (for the avoidance of doubt, the date to be 20 years after the First Reset Date); any subsequent reduction of the ICR assigned to us by S&P to below Investment Grade notwithstanding, if changed pursuant to the foregoing provision, the Second Step-up Date shall not be reverted to December 15, 2044;

"Initial Credit Spread" means 4.00 percent;

"First Step-up Margin" means 0.25 percent; and

"Second Step-up Margin" means 1.0 percent.

The applicable Reset Interest Rate will be determined as provided above in respect of each Reset Period and, as so determined, such rate will apply to each Interest Period falling within that Reset Period.

The Calculation Agent will not be responsible to us or to any third party as a result of the Calculation Agent having relied upon or acted on any quotation or information given to it for the purposes of calculating the Reset Interest Rates or the 5 Year Treasury Rate which subsequently may be found to be incorrect or inaccurate in any way or for any losses whatsoever resulting from acting in accordance therewith.

Determination of Reset Interest Rate

The Calculation Agent will, as soon as practicable after 11.00 a.m. (New York time) on each Reset Interest Determination Date, determine the relevant Reset Interest Rate in respect of each Interest Period falling within the relevant Reset Period.

Publication of Reset Interest Rate

The Calculation Agent will cause notice of each Reset Interest Rate determined in respect of each relevant Interest Period to be given to the Trustee, the Paying Agent and us, and we will cause notice to be given to the holders and any stock exchange on which the notes are for the time being listed or admitted to trading and the holders, in each case as soon as practicable after its determination but in any event not later than the fourth business day thereafter.

Calculation Agent

The initial Calculation Agent will be Citibank, N.A., London Branch, a banking corporation organized and existing under the laws of the State of New York with limited liability, with its initial specified office located at Citibank, N.A., London Branch, c/o Citibank, N.A., Dublin Branch, 1 North Wall Quay, Dublin 1, Ireland.

We may, from time to time replace the Calculation Agent with another leading financial institution in London. If the Calculation Agent is unable or unwilling to continue to act as the Calculation Agent or fails duly to determine the relevant Reset Interest Rate in respect of any Reset Period as provided in "—Reset Interest Rate," we will promptly appoint another leading financial institution in London to act as such in its place. The Calculation Agent may not resign its duties or be removed without such successor having been appointed.

Determinations of Calculation Agent Binding

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the calculation of interest payments by the Calculation Agent will (in the absence of willful misconduct, manifest error or gross negligence) be binding on us, the Calculation Agent, the Trustee, the Paying Agent and all holders and (in the absence of willful misconduct, manifest error or gross negligence) no liability to the holders or us will attach to the Calculation Agent in connection with the exercise or non-exercise by it of any of its powers, duties and discretions.

Optional Interest Deferral

Deferral of Interest Payments

We may, subject to provisions set forth under "—Optional Settlement of Arrears of Interest" and "—Mandatory Settlement of Arrears of Interest" below, elect in our sole discretion to defer (in whole or in part) any interest payment that is otherwise scheduled to be paid on an Interest Payment Date by giving notice (a "Deferral Notice") of such election to the holders, the Trustee, the Calculation Agent and the Paying Agent not more than 30 business days and not less than 5 business days prior to the relevant Interest Payment Date. Any interest payment that we have elected to defer hereby and that has not been satisfied is referred to as a "Deferred Interest Payment."

If any interest payment is deferred hereby, then such Deferred Interest Payment will itself bear interest (such further interest together with the Deferred Interest Payment, "Arrears of Interest"), at the relevant Interest Rate applicable from time to time, from (and including) the date on which (but for such deferral) the Deferred Interest Payment would otherwise have been due to be made to (but excluding) the date on which such Deferred Interest Payment is paid in accordance with "—Optional Settlement of Arrears of Interest" or "—Mandatory

Settlement of Arrears of Interest" (as applicable), in each case such further interest being compounded on each Interest Payment Date.

Non-payment of interest deferred pursuant to this section will not constitute a default by us under the notes or the Indenture or for any other purpose.

Optional Settlement of Arrears of Interest

Arrears of Interest may be satisfied at our option, in whole or in part, at any given time (the "Optional Deferred Interest Settlement Date") following delivery of a notice to such effect given by us to the holders, the Trustee, the Calculation Agent and the Paying Agent not more than 30 business days and no less than 5 business days prior to the relevant Optional Deferred Interest Settlement Date informing them of our election so to satisfy such Arrears of Interest (or part thereof) and specifying the relevant Optional Deferred Interest Settlement Date.

Mandatory Settlement of Arrears of Interest

Notwithstanding the provisions of "—Optional Settlement of Arrears of Interest," we will pay any outstanding Arrears of Interest in whole, but not in part, on the first occurring Mandatory Settlement Date following the Interest Payment Date on which any outstanding Deferred Interest Payment was first deferred.

Notice of the occurrence of any Mandatory Settlement Date will be given to the holders, the Trustee and the Paying Agent not more than 30 business days and no less than 5 business days prior to the relevant Mandatory Settlement Date.

Maturity and Redemption

No Maturity Date

The notes are perpetual securities in respect of which there is no fixed maturity date. We will only have the right to repay the notes as described in the following provisions of this section.

Optional Redemption

We may, by giving not fewer than 30 nor more than 60 days' notice to the holders (which notice will be irrevocable), the Trustee and the Paying Agent, redeem the notes in whole, but not in part, on the relevant First Reset Date or any Interest Payment Date thereafter at their principal amount together with premium, if any, any accrued and unpaid interest up to (but excluding) the redemption date and any outstanding Arrears of Interest.

Redemption for Certain Taxation Reasons

If, immediately prior to the giving of the notice referred to below, a Tax Deduction Event or a Withholding Tax Event has occurred and is continuing, then we may, subject to having given not fewer than 30 nor more than 60 days' notice to the holders (which notice will be irrevocable), the Trustee and the Paying Agent and subject to "—Preconditions to Special Event Redemption," redeem as described herein, the notes in whole, but not in part, at any time at (i) 101 percent of their principal amount (in the case of a Tax Deduction Event where such redemption occurs prior to the First Reset Date) or (ii) 100 percent of their principal amount (in the case of a Tax Deduction Event where such redemption occurs on or after the First Reset Date or in the case of a Withholding Tax Event where such redemption occurs at any time), together, in each case, with premium, if any, any accrued and unpaid interest up to (but excluding) the redemption date and any outstanding Arrears of Interest. The due date for redemption of which notice hereunder may be given will be no earlier than the latest practicable date prior to the date on which the relevant Tax Law Change giving rise to the Withholding Tax Event or Tax Deduction Event comes into effect.

Redemption for Rating Reasons

If, immediately prior to the giving of the notice referred to below, a Rating Methodology Event has occurred and is continuing, then we may, subject to having given not fewer than 30 nor more than 60 days'

notice to the holders (which notice will be irrevocable), the Trustee and the Paying Agent and subject to "—Preconditions to Special Event Redemption," redeem as described herein the notes in whole, but not in part, at any time at (i) 101 percent of their principal amount (where such redemption occurs prior to the First Reset Date) or (ii) 100 percent of their principal amount (where such redemption occurs on or after the First Reset Date), together, in each case, with premium, if any, any accrued and unpaid interest up to (but excluding) the redemption date and any outstanding Arrears of Interest. The due date for redemption of which notice hereunder may be given will be no earlier than the last day before the date on which the notes will no longer be eligible for the same, or a higher amount of, "equity credit" (or such other nomenclature that the relevant Rating Agency may then use to describe the degree to which an instrument exhibits the characteristics of an ordinary share).

Redemption for Accounting Reasons

If, immediately prior to the giving of the notice referred to below, an Accounting Event has occurred and is continuing, then we may, subject to having given not fewer than 30 nor more than 60 days' notice to the holders (which notice will be irrevocable), the Trustee and the Paying Agent and subject to "—Preconditions to Special Event Redemption," redeem as described herein the notes in whole, but not in part, at any time at (i) 101 percent of their principal amount (where such redemption occurs prior to the First Reset Date) or (ii) 100 percent of their principal amount (where such redemption occurs on or after the First Reset Date), together, in each case, with premium, if any, any accrued and unpaid interest up to (but excluding) the redemption date and any outstanding Arrears of Interest. The due date for redemption of which notice hereunder may be given will be no earlier than the last day before the date on which our obligations under the notes must not or may no longer be recorded as "equity" in our audited annual consolidated financial statements prepared in accordance with IFRS or any other accounting standards that we may duly adopt in the future for the preparation of our audited annual consolidated financial statements in accordance with the law of Japan.

Redemption for Substantial Repurchase

If, immediately prior to the giving of the notice referred to below, a Substantial Repurchase Event has occurred, then we may, subject to having given not fewer than 30 nor more than 60 days' notice to the Holders (which notice will be irrevocable), the Trustee and the Paying Agent and subject to "—Preconditions to Special Event Redemption," redeem as described herein the notes in whole, but not in part, at any time at (i) 101 percent of their principal amount (where such redemption occurs prior to the First Reset Date) or (ii) 100 percent of their principal amount (where such redemption occurs on or after the First Reset Date), together, in each case, with any accrued and unpaid interest up to (but excluding) the redemption date and any outstanding Arrears of Interest.

Preconditions to Special Event Redemption

Prior to the dissemination of any notice of redemption (other than redemption at our option as described under "—Optional Redemption") we will deliver to the Trustee an officer's certificate stating that the relevant requirement or circumstance giving rise to the right to redeem is satisfied, and where the relevant Special Event, if applicable, requires measures reasonably available to us to be taken, the relevant Special Event cannot be avoided by our taking such measures. Prior to the publication of any notice of redemption for the events described under "—Redemption for Certain Taxation Reasons", "—Redemption for Ratings Reasons" or "—Redemption for Accounting Reasons," we will also deliver to the Trustee:

(a) in the case of a Tax Deduction Event, an opinion of independent legal advisors of recognized standing to the effect that, as a result of the relevant Tax Law Change, (i) in respect of our obligation to make any interest payment on the next following Interest Payment Date, we would not be entitled to claim a deduction in respect of computing our taxation liabilities in Japan, or such entitlement is reduced compared to such entitlement as at the Issue Date or (ii) in respect of our obligation to make any interest payment on the next following Interest Payment Date, we would not be entitled to have such deduction set against the profits of companies with which we are grouped for applicable Japanese tax purposes;

(b) in the case of a Withholding Tax Event, an opinion of independent legal advisors of recognized standing to the effect that we have or will become obliged to pay Additional Amounts (as defined herein) on the notes as a result of the relevant Tax Law Change;

(c) in the case of a Ratings Methodology Event, a copy of the relevant confirmation from or publication by the relevant Rating Agency;

(d) in the case of an Accounting Event, an opinion of our statutory independent auditors at the time, or of other independent accountants of recognized standing, to the effect that our obligations under the notes must not or may no longer, as a result of a change in accounting principles which becomes effective on or after the Issue Date, be recorded as "equity" in our audited annual consolidated financial statements prepared in accordance with IFRS or any other accounting standards that we may duly adopt in the future for the preparation of our audited annual consolidated financial statements in accordance with the law of Japan; and

The Trustee may rely conclusively upon and will be entitled to accept such officer's certificates and, where relevant, opinion without any liability to any person for so doing and without any further inquiry as sufficient evidence of the satisfaction of the conditions precedent set out in such paragraphs in which event it will be conclusive and binding on the holders.

The Trustee is under no obligation to ascertain whether any Special Event or any event which could lead to the occurrence of, or could constitute, any such Special Event has occurred or may occur and, until it receives express written notice pursuant to the Indenture to the contrary, the Trustee may assume that no such Special Event or such other event has occurred.

Arrears of Interest and Accrued and Unpaid Interest

For the avoidance of doubt, any redemption of the notes will be conditional on all outstanding Arrears of Interest being paid in full as described in the provisions of "—Optional Interest Deferral" on or prior to the date thereof, together with any accrued and unpaid interest up to (but excluding) such redemption.

Repurchase

We, or any subsidiary of ours, may at any time repurchase any or all of the notes in the open market or otherwise at any price. Subject to applicable law, neither we nor any subsidiary of ours shall have any obligation to offer to repurchase any notes held by any holder as a result of our or such holder's repurchase or offer to repurchase notes held by any other holder in the open market or otherwise.

Any notes so repurchased by us or any subsidiary of ours will be cancelled.

Payments

Method of Payment

Payments of principal, premium and interest in respect of each note will be made by wire transfer to the registered account of the holder. Interest on the notes due on an Interest Payment Date will be paid to the holder shown on the Register at the close of business on the date (the record date) being the fifteenth day before the due date for the payment of interest.

A holder's registered account means the U.S. dollar account maintained by or on behalf of it with a bank that processes payments in U.S. dollars, details of which appear on the Register at the close of business on the relevant record date.

Notwithstanding the foregoing, so long as the global certificate in respect of the notes is held on behalf of DTC, Euroclear, Clearstream or any other clearing system, payments will be made in the manner described under "—Book Entry, Delivery and Form—Payments on Global Notes."

Payments Subject to Fiscal Laws

Without prejudice to the provisions of "—Taxation and Additional Amounts," all payments made as described herein will be made subject to any fiscal or other laws and regulations applicable in the place of payment. No commissions or expenses will be charged to the holders in respect of such payments.

Payments on Business Days

If any date for any payment in respect of any note is not a business day, the holder will not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment.

Partial Payments

If the amount of principal, premium (if any) or interest (including, for the avoidance of doubt, Arrears of Interest) which is due on the notes is not paid in full, the Registrar will annotate the Register with a record of the amount of principal, premium (if any) or interest (including, for the avoidance of doubt, Arrears of Interest) in fact paid.

Termination of Rights for Claims upon Certain Events

If a Claim Rights Termination Event occurs, the notes will be subject to a "Claim Rights Termination," automatically and without any additional action by us, the Trustee, the Paying Agent and the holders of the notes.

Upon a Claim Rights Termination the holders of the notes will be deemed to have irrevocably waived their right to claim or receive, and will not have any rights against us, the Trustee or the Paying Agent with respect to, payment of principal, any interest, Arrears of Interest or Additional Amounts, except for any payments of any interest, Arrears of Interest or Additional Amounts that have become due and payable prior to the occurrence of the Claim Rights Termination Event.

Except for claims with respect to payments of any interest, Arrears of Interest or Additional Amounts that have become due and payable prior to the occurrence of the Claim Rights Termination Event, as described above, upon the occurrence of a Claim Rights Termination Event, (a) the holders of the notes shall have no rights whatsoever under the Indenture or the notes to take any action or enforce any rights or to instruct the Trustee to take any action or enforce any rights whatsoever, (b) except for any indemnity, security and/or prefunding provided by any holder in such instruction or related to such instruction, any instruction previously given to the Trustee by any holders shall cease automatically and shall be deemed null and void and of no further effect, (c) no holder may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by us arising under, or in connection with, the notes and each holder of notes shall, by virtue of its holding of any notes, be deemed to have irrevocably waived all such rights of set-off, compensation or retention and (d) no holder will be entitled to make any claim in any reorganization proceedings, rehabilitation proceedings or any proceedings analogous thereto involving us or have any ability to initiate or participate in any such proceedings or do so through a representative.

We will, as soon as practicable after the occurrence of any Claim Rights Termination Event, cause notice (the "Claim Rights Termination Notice") of its occurrence to be given to the Trustee, the Paying Agent, any stock exchange on which the notes are for the time being listed or admitted to trading and the holders. Any failure or delay by us to provide a Claim Rights Termination Notice shall not change or delay the effect of the occurrence of the Claim Rights Termination Event on our payment obligations under the notes.

"Claim Rights Termination Event" means any one of the following events:

(i) a Japanese court with jurisdiction decides to commence corporate reorganization proceedings (*kaisha kousei tetsuzuki*) against us pursuant to the provisions of the Corporate Reorganization Act;

(ii) a Japanese court with jurisdiction decides to commence rehabilitation proceedings (*minji saisei tetsuzuki*) against us pursuant to the provisions of the Civil Rehabilitation Act; or

(iii) any analogous event relating to us to those described in (i) or (ii) above under any insolvency, bankruptcy or similar law outside of Japan which is applicable to us (including any other order being made, or an effective resolution being passed, for the purposes of our reorganization, reconstruction or amalgamation).

If any payment on a note is made to the holder of a note with respect to a payment obligation that did not become due and payable prior to the occurrence of the Claim Rights Termination Event, then the payment of such amount shall be deemed null and void and the holder shall be obliged to return the amount of such payment within ten days after receiving notice of the payment (to an account to be advised by us by notice to the holders).

Event of Acceleration

Proceedings

There are no events of default with respect to the notes. An "Event of Acceleration" with respect to the notes means the occurrence of a Subordination Event. In case an Event of Acceleration set forth above shall

occur and be continuing, then interest on the notes shall cease to accrue and the Trustee or the holders of not less than 25% in aggregate principal amount of the notes may, and the Trustee at the written request of holders of not less than 25% in aggregate principal amount of the notes then outstanding and subject to the Trustee being secured and/or indemnified and/or prefunded to its satisfaction, shall, by written notice to us declare the principal of, premium, if any, and all interest then accrued on the notes to be forthwith due and payable, subject to the subordination provisions described under "—Subordination," and upon such declaration, the notes shall become immediately due and payable, subject to the subordination provisions described under "—Subordination."

If (i) a liquidation proceeding with respect to us shall be rescinded or terminated without distribution of assets pursuant to the Companies Act, (ii) a court of competent jurisdiction shall rescind or terminate a bankruptcy action with respect to us without a distribution of assets pursuant to the Bankruptcy Act, or (iii) a court of competent jurisdiction shall rescind or terminate any proceedings giving rise to an Event of Acceleration due to the occurrence of a Subordination Event under clause (iii) of the definition of "Subordination Event," such rescission, termination or other event having an equivalent effect to that set forth in the foregoing clause (i) or (ii), as applicable, or (iii), if an Event of Acceleration with respect to the notes is otherwise rescinded or terminated, then the Event of Acceleration will have the same effect as if it had not occurred. Neither the Trustee nor any holder of the notes shall have any rights to accelerate the repayment of the notes upon a default in the payment of principal of or interest on the notes, upon the non-performance of any covenant of ours in relation to the notes or upon the happening of any other event in relation to the notes other than a Subordination Event, and in such cases, payments on the notes will remain subject to subordination.

The Trustee need not take any action to ascertain whether an Event of Acceleration has occurred or is continuing and will not be responsible to holders or any other person for any loss arising from any failure by it to do so. The Trustee may assume that no Event of Acceleration has occurred and that we are performing our obligations under the Indenture and the notes unless the Trustee has received written notice of the occurrence of an Event of Acceleration or facts establishing that we are not performing our obligations under the Indenture or the notes or an Event of Acceleration has occurred. The Trustee shall not be required to verify any information in such notice.

Enforcement

The Trustee may at its sole and absolute discretion (subject to "—Entitlement of Trustee") and without further notice institute such proceedings or take such steps or actions against us as it may think fit to enforce any term or condition binding on us under the Indenture or the notes but in no event will we, by virtue of the institution of any such proceedings, steps or actions, be obliged to pay any amount sooner than the same would otherwise have been payable by us.

Entitlement of Trustee

The Trustee will not be bound to take any of the actions referred to in "—Proceedings" or "—Enforcement" above against us to enforce the terms of the Indenture or the notes or take any other action or step unless (i) it will have been so requested in writing by the holders of at least one-quarter in principal amount of the notes then outstanding and (ii) it will have been indemnified and/or secured and/or prefunded to its satisfaction.

Right of Holders

No holder will be entitled to proceed directly against us or to institute proceedings for the winding-up or claim in our liquidation or to prove in such winding-up unless the Trustee, having become so bound to proceed, institute, prove or claim, fails to do so within a reasonable period of time and such failure will be continuing or a Japanese court or any other court of competent jurisdiction determines that only holders are entitled to bring such claim, in which case the holder will have only such rights against us as those which the Trustee is entitled to exercise as set out in this section.

Extent of Holders' Remedy

No remedy against us, other than as referred to in this section, will be available to the Trustee or the holders, whether for the recovery of amounts owing in respect of the notes or under the Indenture or in respect of any breach by us of any of our other obligations under or in respect of the notes or under the Indenture.

Replacement Intention

We intend (without thereby assuming a legal obligation) at any time that we will redeem or repurchase the notes only to the extent that the aggregate principal amount of the notes to be redeemed or repurchased does not exceed such part of the net proceeds received by us during the 12 months prior to the date of such redemption or repurchase from the sale, disposal or issuance ("Issue") by us to third-party purchasers (other than our subsidiaries or affiliates) of securities which are assigned by S&P, R&I or JCR, at the time of such Issuance, an aggregate "equity credit" (or such similar nomenclature used by S&P, R&I or JCR from time to time) that is equal to or greater than the "equity credit" assigned to the notes to be redeemed or repurchased at the time of their issuance (but taking into account any changes in hybrid capital methodology or another relevant methodology or the interpretation thereof since the issuance of the notes) ("Replacement Securities"), unless, on or after the First Reset Date:

(1) both of (i) and (ii) below are true:

(i) the ICR assigned to us by S&P is Investment Grade and we are satisfied that such ICR would not fall below such level as a result of such redemption or repurchase; and

(ii) on the last date of any fiscal year or fiscal quarter falling within the 12 months prior to the date of such redemption or repurchase, (a) the amount of our Consolidated Adjusted Net Worth (as defined below) is equal to or greater than the amount of our Consolidated Adjusted Net Worth as of December 31, 2023 plus the aggregate principal amount of the notes, our Series 3 JPY Hybrid Bonds, our Series 5 JPY Hybrid Bonds and our Series 6 JPY Hybrid Bonds, and (b) our Consolidated Adjusted Equity Ratio (as defined below) is greater than or equal to 10%; or

(2) even if (1) is not satisfied, if trading is suspended or halted on the Tokyo Stock Exchange; provided, however, that, if, at the time that such suspension or halt is lifted, if (1) remains unsatisfied, we intend to promptly Issue Replacement Securities in the relevant aggregate principal amount.

For the purposes of the above, "Replacement Securities" will consist of securities meeting the following that we announce we are Issuing as "Replacement Securities" for such purpose:

(a) shares of our common stock (in which case, we may treat any shares of common stock issued as "Replacement Securities" for these purposes as having an "equity credit" of 100%);

(b) shares of other series of our capital stock;

(c) Parity Obligations; or

(d) any other securities issued by us;

provided that, in the case of (b) through (d), such Replacement Securities must have received an equity credit from S&P, R&I and JCR equal to or greater than the notes.

"Consolidated Adjusted Net Worth" as of any date is defined as the amount arrived at by subtracting from "Total equity" (as shown on our consolidated statements of financial position) the aggregate amount of (a) "Exchange differences on translation of foreign operations" contained within "Other components of equity" (as shown on our consolidated statements of financial position) and (b) the aggregate principal amount then outstanding of the notes, in each case as of such date, rounded to the nearest ¥100 million.

"Consolidated Adjusted Equity Ratio" as of any date is defined as our Consolidated Adjusted Net Worth divided by the amount arrived at by subtracting from "Total liabilities and equity" the amount of "Exchange differences on translation of foreign operations" contained within "Other components of equity," in each case as shown on our consolidated statements of financial position, as of such date, shown as a percentage and rounded to the nearest 0.01%.

Taxation and Additional Amounts

All payments of principal and interest in respect of the notes shall be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or collected or withheld or assessed by or on behalf of Japan, or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law or by the authority. In such event, we shall pay such additional amounts ("Additional Amounts") as will result in the receipt by the holders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such Additional Amounts shall be payable with respect to any notes under any of the following circumstances:

(i) the holder or beneficial owner of the notes is an individual non-resident of Japan or a non-Japanese corporation and is liable for such taxes in respect of such notes by reason of its (A) having some present or former connection with Japan other than the mere holding of such notes or (B) being a specially-related person of ours as described in Article 6, Paragraph (4) of the Special Taxation Measures Act;

(ii) the holder or beneficial owner of the notes would otherwise be exempt from any such withholding or deduction but fails to comply with any applicable requirement to provide certification, information, documents or other evidence concerning its nationality, residence, identity or connection with Japan, including any requirement to provide Interest Recipient Information (as defined below) or to submit a Written Application for Tax Exemption (as defined below) to the Paying Agent to whom the notes are presented (where presentation is required), or whose Interest Recipient Information is not duly communicated through the relevant Participant (as defined below) and the relevant international clearing organization to such Paying Agent;

(iii) the holder or beneficial owner of the notes is for Japanese tax purposes treated as an individual resident of Japan or a Japanese corporation (except for (A) a Designated Financial Institution (as defined below) that complies with the requirement to provide Interest Recipient Information or to submit a Written Application for Tax Exemption and (B) an individual resident of Japan or a Japanese corporation that duly notifies (directly, through the relevant Participant or otherwise) the Paying Agent of its status as not being subject to taxes to be withheld or deducted by us by reason of receipt by such individual resident of Japan or Japanese corporation of interest on such notes through a payment handling agent in Japan appointed by it);

(iv) the note is presented for payment (where presentation is required) more than 30 days after the day on which such payment on the notes became due or after the full payment was provided for, whichever occurs later, except to the extent the holder thereof would have been entitled to Additional Amounts on presenting the same for payment on the last day of such period of 30 days;

(v) the withholding or deduction is imposed on a holder or beneficial owner that could have avoided such withholding or deduction by presenting its notes (where presentation is required) to another paying agent maintained by us;

(vi) the holder is a fiduciary or partnership or is not the sole beneficial owner of the payment of the principal of, or any interest on, any note, and Japanese law requires the payment to be included for tax purposes in the income of a beneficiary or settlor with respect to such fiduciary or a member of such partnership or a beneficial owner, in each case, who would not have been entitled to such Additional Amounts had it been the holder of such note; or

(vii) any combination of (i) through (vi) above.

For the avoidance of doubt, none of us, the Trustee, the Paying Agent or any other person shall be required to pay any Additional Amounts with respect to any withholding or deduction imposed on or in respect of any note pursuant to Sections 1471 to 1474 of the Internal Revenue Code of 1986, as amended, commonly referred to as FATCA, any treaty, law, regulation or other official guidance implementing FATCA, any intergovernmental agreement in relation thereto, or any agreement between us, the Trustee, the Paying Agent or any other person and the United States, any other jurisdiction, or any authority of any of the foregoing implementing FATCA.

Where the notes are held through a participant of an international clearing organization or a financial intermediary (referred to in this section as a "Participant"), in order to receive payments free of withholding or

deduction by us for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or collected or withheld or assessed by or on behalf of Japan, or any authority thereof or therein having power to tax, if the relevant beneficial owner is (a) an individual non-resident of Japan or a non-Japanese corporation (other than a specially-related person of ours) or (b) a Japanese financial institution or a Japanese financial instruments business operator (referred to in this section as a "Designated Financial Institution") falling under certain categories prescribed by the Special Taxation Measures Act, all in accordance with the Special Taxation Measures Act, such beneficial owner must, at the time of entrusting a Participant with the custody of the relevant notes, provide certain information prescribed by the Special Taxation Measures Act (referred to in this section as "Interest Recipient Information") to enable the Participant to establish that such beneficial owner is exempted from the requirement for taxes to be withheld or deducted, and advise the Participant if the beneficial owner ceases to be so exempted (including the case where a beneficial owner that is an individual non-resident of Japan or a non-Japanese corporation becomes a specially-related person of ours).

Where notes are not held by a Participant, in order to receive payments free of withholding or deduction by us for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or collected or withheld or assessed by or on behalf of Japan, or any authority thereof or therein having power to tax, if the relevant beneficial owner is (a) an individual non-resident of Japan or a non-Japanese corporation (other than a specially-related person of ours) or (b) a Designated Financial Institution, all in accordance with the Special Taxation Measures Act, such beneficial owner must, prior to each time at which it receives interest, submit to the Paying Agent a written application for tax exemption (*hikazei tekiyo shinkokusho*) (referred to in this section as a "Written Application for Tax Exemption") in a form obtainable from the Paying Agent stating, inter alia, the name and address of the beneficial owner, the title of the notes, the relevant interest payment date, the amount of interest and the fact that the beneficial owner is qualified to submit the Written Application for Tax Exemption, together with documentary evidence regarding its identity and residence.

By subscribing for the notes, an investor will be deemed to have represented that it is a beneficial owner that is, (i) for Japanese tax purposes, neither (a) an individual resident of Japan or a Japanese corporation, nor (b) an individual non-resident of Japan or a non-Japanese corporation that in either case is a specially-related person of ours (excluding an underwriter designated in Article 6, Paragraph (12), item 1 of the Special Taxation Measures Act which purchases unsubscribed portions of the notes from the other underwriters) or (ii) a Designated Financial Institution. For more details regarding Japanese withholding tax, see "Japanese Taxation".

We will make any required withholding or deduction and remit the full amount withheld or deducted to the Japanese taxing authority in accordance with applicable law. We will use reasonable efforts to obtain certified copies of tax receipts evidencing the payment of any tax, duty, assessment, fee or other governmental charge so withheld or deducted from the Japanese taxing authority imposing such tax, duty, assessment, fee or other governmental charge, and if certified copies are not available, we will use reasonable efforts to obtain other evidence satisfactory to the Paying Agent, and the Paying Agent shall make such certified copies or other evidence available to the holders or the beneficial owners of the notes upon prior written request to the Paying Agent.

The obligation to pay Additional Amounts with respect to any taxes, duties, assessments and other governmental charges shall not apply to (A) any estate, inheritance, gift, sales, transfer, personal property or any similar tax, duty, assessment, fee or other governmental charge or (B) any tax, duty, assessment, fee or other governmental charge which is payable otherwise than by withholding or deduction from payments of principal or interest on the notes; provided that, except as otherwise set forth in the notes and in the Indenture, we will pay all stamp, court or documentary taxes or any excise or property taxes, charges or similar levies and other duties, if any, which may be imposed by Japan, the United States or any political subdivision or any taxing authority thereof or therein, with respect to the Indenture or as a consequence of the initial issuance, execution, delivery, registration or enforcement of the notes.

References to principal or interest in respect of the notes shall be deemed to include any Additional Amounts due which may be payable as set forth in the notes and the Indenture.

Modification and Waiver

Modification and amendment of the notes and the Indenture may be made by us and the Trustee with the written consent of the holders of at least a majority in aggregate principal amount of the outstanding notes;

provided, however, that no such modification or amendment may, without the consent of the holder of each outstanding note affected thereby:

(i) change the payment date of any interest or change any obligation of ours to pay any Additional Amounts,

(ii) reduce the principal amount of, or rate of interest on, any note;

(iii) affect the rights of holders of less than all the outstanding notes;

(iv) change the place of payment where, or the coin or currency in which, any note or interest thereon is payable; or

(v) impair the right of a holder to institute suit for the enforcement of any payment on or with respect to any note on or after the date when due;

provided, further, that no such modification may, without the consent of the holders of all notes outstanding at the time, alter the respective percentages of outstanding notes necessary, pursuant to the Indenture, to modify the terms of the notes, waive past defaults or accelerate the payment of the principal amount of the notes.

It shall not be necessary for any act of holders under the relevant section of the Indenture to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such act shall approve the substance thereof.

Notwithstanding the foregoing, without the consent of any holders of the notes, we and the Trustee, at any time and from time to time, may enter into one or more supplemental Indenture, in form reasonably satisfactory to the Trustee, for any of the following purposes:

(i) to evidence the succession of another corporation, entity or person to us and the assumption by any such successor of our covenants in the Indenture and the notes;

(ii) to add to our covenants or to surrender any right or power in the Indenture conferred upon us for the benefit of the holders of the notes;

(iii) to evidence and provide for the acceptance of appointment under the Indenture by a successor Trustee or Agents;

(iv) to cure any ambiguity, to correct or supplement any provision in the Indenture which may be defective or inconsistent with any other provision in the Indenture or applicable laws, or to make any other provisions with respect to matters or questions arising under the Indenture, provided that such action shall not adversely affect the interests of the holders of the notes in any material respect;

(v) effect any changes to the Indenture in a manner necessary to comply with the procedures of DTC, Euroclear or Clearstream or any applicable clearing system; or

(vi) to make any other change that does not adversely affect the interests of the holders of the notes in any material respect.

Replacement of Certificates

If any Certificate is lost, stolen, mutilated, defaced or destroyed it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Registrar or such Paying Agent as may from time to time be designated by us for the purpose and notice of whose designation is given to holders, on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, inter alia, that if the allegedly lost, stolen or destroyed Certificate is subsequently presented for payment, there will be paid to us on demand the amount payable by us in respect of such Certificate) and otherwise as we may require. Mutilated or defaced Certificates must be surrendered before any replacement Certificates will be issued.

Indemnification of the Trustee

The Indenture contains provisions for the indemnification of, and/or provision of security and/or prefunding for, the Trustee and for its relief from responsibility, including provisions relieving it from taking any actions or steps or instituting any proceedings unless indemnified and/or secured and/or prefunded to its satisfaction. The Trustee is entitled to enter into business transactions with us and any entity related to us without accounting for any profit. The Trustee may conclusively rely without liability to holders on a report, confirmation or certificate or any advice of any accountants, financial advisors, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and will be entitled to conclusively rely on any such report, confirmation or certificate or advice and such report, confirmation or certificate or advice will be binding on us, the Trustee and the holders.

Further Issuances

We reserve the right, from time to time, without the consent of the holders of the notes of any series, to issue additional notes of any series on terms and conditions identical to those of the notes of such series offered hereby (other than the issue date, the issue price and, in some cases, the first interest payment date), which additional notes of such series will increase the aggregate principal amount of, and will be consolidated and form a single series with the notes of such series.

Indemnification of Judgment Currency

We will indemnify each holder of a note and the Trustee to the full extent permitted by applicable law against any loss incurred by the holder as a result of any judgment or order being given or made for any amount due under the note and the judgment or order being expressed and paid in a currency, referred to as judgment currency, other than U.S. dollars, and as a result of any variation as between (a) the rate of exchange at which the U.S. dollar is converted into the judgment currency for the purpose of the judgment or order and (b) the spot rate of exchange in The City of New York at which the holder on the date that payment is made pursuant to the judgment or order is able to purchase U.S. dollars with the amount of the judgment currency actually received by the holder, or as the case may be, the Trustee.

Agents

The initial Paying Agent, Transfer Agent and Registrar will be Citibank, N.A., London Branch, a banking corporation organized and existing under the laws of the State of New York with limited liability, with its specified office located at Citibank, N.A., London Branch c/o Citibank, N.A., Dublin Branch, 1 North Wall Quay, Dublin 1, Ireland. We reserve the right, subject to the approval of the Trustee, at any time to vary or terminate the appointment of the Paying Agent, the Transfer Agent and the Registrar and to appoint additional or other Paying Agent, Transfer Agent and Registrar, provided that we will:

(a) at all times maintain a Paying Agent, Transfer Agent and a Registrar;

(b) so long as the notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent and/or Transfer Agent and/or Registrar with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority; and

(c) whenever a function expressed herein to be performed by the Calculation Agent is to be performed, appoint and (for so long as such function is required to be performed) maintain a Calculation Agent.

Notice of any such termination or appointment and of any change in the specified office of the Paying Agent, the Transfer Agents of the Registrar will be given to the holders by us. If any of the Calculation Agent, the Transfer Agent, the Registrar or the Paying Agent is unable or unwilling to act as such or if it fails to make a determination or calculation or otherwise fails to perform its duties under the Indenture, we will appoint an independent financial institution to act as such in its place. All calculations and determinations made by the Calculation Agent or the Paying Agent in relation to the notes will (save in the case of manifest error) be final and binding on us, the Trustee, the Paying Agent and the holders.

For so long as the notes are listed on the Singapore Exchange and the rules of the Singapore Exchange so require, we will appoint and maintain a paying agent in Singapore, where the notes may be presented or surrendered for payment or redemption in the event that the global notes are exchanged for definitive notes. In addition, in the event that the global notes are exchanged for definitive notes, an announcement of such exchange will be made by or on behalf of us through the Singapore Exchange and such announcement will include all material information with respect to the delivery of the definitive notes, including details of the paying agent in Singapore.

Repayment of Funds

Any money deposited by us with the Trustee or a Paying Agent in trust for payment of principal of or interest and any Additional Amounts on any note which remains unclaimed for two years after such principal, interest or Additional Amounts have become due and payable and paid to the Trustee shall, upon our written request, be repaid to us and all liability of the Trustee or such Paying Agent with respect to such payments will cease, and to the extent permitted by law, the holder of that note shall thereafter look only to us for payment thereof.

Reporting Requirements

For as long as any notes are outstanding, we will promptly furnish to the Trustee (for the benefit of the holders of the notes):

(i) (x) within three months after the end of each fiscal year, our consolidated statements of financial position and consolidated statements of income, comprehensive income, changes in equity and cash flows in English prepared in accordance with IFRS and (y) within nine months after the end of each fiscal year, an annual report in English including our consolidated statements of financial position and consolidated statements of income, comprehensive income, changes in equity and cash flows prepared in accordance with IFRS and audited by independent auditors; and

(ii) as soon as practicable after the end of each interim period (other than the last interim period of a fiscal year), our interim consolidated statements of financial position and consolidated statements of income, comprehensive income, changes in equity and cash flows in English prepared in accordance with IFRS, provided that interim consolidated statements of cash flows will not be required if disclosure of interim consolidated statements of cash flows is not required for such corresponding interim period for companies listed on the main board of the Tokyo Stock Exchange pursuant to the listing rules or other regulations generally applicable to such companies.

To the extent any reports or other documents are published by us on our investor relations website for such reports or documents or any other publicly available electronic medium, such reports or other documents shall be deemed to have been furnished to the holders of the notes. The Trustee shall have no obligation or responsibility to determine whether or if and when such documents are publicly available and/or assessable electronically. Delivery of such reports, information and documents to the Trustee under the Indenture is for informational purposes only and the information and the Trustee's receipt of the foregoing shall not constitute actual or constructive notice or knowledge of any information contained therein, or determinable from information contained therein including our compliance with any of our covenants thereunder (as to which the Trustee is entitled to rely exclusively on an officer's certificate). Notices and other communications may also be sent via facsimile or electronic means in accordance with the terms of the Indenture.

The Trustee

The Trustee, Citicorp International Limited, is organized under the laws of Hong Kong, with its corporate trust office located at 40/F, Champion Tower, Three Garden Road, Central, Hong Kong. In the absence of an Event of Acceleration with respect to the notes, the Trustee need only perform the duties specifically set forth in the Indenture. The Indenture provides that during the existence of an Event of Acceleration with respect to the notes, the Trustee will exercise the rights and powers vested in it by the Indenture, and use the same degree of care and skill in the exercise thereof as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

The Indenture does not contain limitations on the rights of the Trustee, should it be or become a creditor of ours, to obtain payment of claims. The Trustee is not precluded from engaging in other transactions and would not be obliged to account for profit, and if it has or acquires any conflicting interest, it is not required to eliminate the conflict or resign.

The Trustee shall not be liable to any person for having acted on instruction or direction provided to it by holders with respect to the Indenture and the notes and will be under no obligation to exercise any rights or powers vested in it by the Indenture at the written request or direction of any holder, unless the requisite number of holders have instructed the Trustee in writing and offered to the Trustee security and/or indemnity and/or prefunding satisfactory to it against the costs, expenses (including the fees and properly incurred expenses of its counsel) and liabilities which might be incurred by it in compliance with such request or direction. Neither the Trustee nor any of the Agents shall be responsible for calculating or verifying any calculations of any amounts payable under any notice of redemption, nor shall they be liable to holders or any other person for not doing so.

Furthermore, each holder, by accepting the notes agrees, for the benefit of the Trustee, that it is solely responsible for its own independent appraisal of and investigation into all risks arising under or in connection with the offering of the notes and has not relied on and will not at any time rely on the Trustee in respect of such risks.

Successor Trustee

Any successor trustee appointed pursuant to the terms of the Indenture shall have a combined capital and surplus of not less than $50,000,000.

Limitation on Suits

Other than the right to institute a suit for the enforcement of the payment of principal of, or interest on (including, in each case, any Additional Amounts, if applicable), any notes after the applicable due date specified in the notes, no holder of any note shall have any right to institute any proceeding with respect to the Indenture, or for the appointment of a receiver or trustee, or for any other remedy thereunder, unless (i) such holder has previously given written notice to the Trustee of either (a) a continuing Event of Acceleration or (b) default made by us in the performance of any other obligation under the Indenture or the notes which continues for 60 days after notice of such default is given to us by the Trustee or the holders of not less than 10% in principal amount of the notes; (ii) the holders of not less than 25% in aggregate principal amount of the notes shall have made written request to the Trustee to institute proceedings in respect of such event or default in its own name as Trustee; (iii) such holder or holders have offered to the Trustee indemnity and/or security and/or prefunding satisfactory to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; (iv) the Trustee for 60 days after its receipt of such written notice, request and offer of indemnity and/or security and/or prefunding satisfactory to the Trustee has failed to institute any such proceeding; and (v) no direction inconsistent with such written request has been given to the Trustee during such 60 day period by the holders of a majority in aggregate principal amount of the notes.

No one or more of such holders shall have any right in any manner whatsoever by virtue of, or by availing of, any provision of the Indenture to affect, disturb or prejudice the rights of any other of such holders, or to obtain or to seek to obtain priority or preference over any other of such holders or to enforce any right under the Indenture, except in the manner therein provided and for the equal and ratable benefit of all of such holders.

Undertaking for Costs

In any suit for the enforcement of any right or remedy under the Indenture or against the Trustee for any action taken, suffered or omitted by it as Trustee, other than a suit instituted by the Trustee, a holder or group of holders holding more than 10% in aggregate principal amount of the outstanding notes, or by any holder for the enforcement of the payment of the principal of or interest on any outstanding note on or after the due date expressed in such note, a court may require any party litigant in such suit to file an undertaking to pay the costs of such suit, and may assess costs, including attorneys' fees, against any party litigant in such suit.

Governing Law; Consent to Jurisdiction and Service of Process; Communications

The Indenture and the notes will be governed by, and construed as described in, the laws of the State of New York.

We have irrevocably submitted to the non-exclusive jurisdiction of the courts of any New York State or United States federal court sitting in the Borough of Manhattan, The City of New York with respect to any action that may be brought in connection with the Indenture or the notes. As long as any of the notes remain outstanding, we will at all times have an authorized agent with an office in the Borough of Manhattan, The City

of New York upon whom process may be served in any action arising out of or relating to the Indenture or the notes. We have appointed Cogency Global Inc. with offices located at 122 E. 42nd Street, 18th Floor, New York, NY 10168 as our initial agent for such purpose.

Book Entry, Delivery and Form

The notes will initially be issued to investors only in book-entry form. The notes sold in reliance on Regulation S under the Securities Act will be initially in the form of one or more fully-registered global notes (the "Regulation S global notes"), and the notes sold in reliance on Rule 144A under the Securities Act will initially be in the form of one or more fully-registered global notes (the "Rule 144A global notes"). The global notes will be issued and registered in the name of Cede & Co., acting as nominee for DTC, which will act as securities depositary for the notes. The global notes will initially be deposited with Citibank, N.A., London Branch, acting as custodian for DTC.

The notes (including beneficial interests in the global notes) will be subject to certain restrictions on transfer set forth in the notes and the indenture and will bear a legend regarding the restrictions as set forth under "Transfer Restrictions." Under certain circumstances, transfers may be made only upon receipt by the Paying Agent of a written certification (in the form provided in the indenture).

Prior to the 40th day after the later of the commencement of the offering and the closing date, a beneficial interest in a Regulation S global note may be transferred to a person who takes delivery in the form of an interest in a Rule 144A global note upon receipt by the Paying Agent of a written certification (in the form provided in the indenture) from the transferor to the effect that the transferor (i) reasonably believes that the transferee is a QIB purchasing for its own account (or for the account of one or more QIBs over which account it exercises sole investment discretion) and (ii) has notified the transferee of the restrictions on transfer set forth under "Transfer Restrictions."

Beneficial interests in a Rule 144A global note may be transferred to a person who takes delivery in the form of an interest in a Rule 144A global note without any written certification from the transferor or the transferee. Beneficial interests in a Rule 144A global note may be transferred to a person who takes delivery in the form of an interest in a Regulation S global note only upon receipt by the Paying Agent of a written certification (in the form provided in the indenture) from the transferor to the effect that such transfer is being made in compliance the restrictions on transfer set forth under "Transfer Restrictions" and pursuant to and in accordance with Rule 903 or 904 of Regulation S under the Securities Act.

Any beneficial interest in one of the global notes that is transferred to an entity that takes delivery in the form of an interest in another global note will, upon transfer, cease to be an interest in such global note and become an interest in the other global note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to beneficial interest in such other global note for as long as it remains such an interest.

Persons that acquire beneficial ownership interests in the global notes will hold their interests through DTC in the United States or through Euroclear or Clearstream, if they are participants of those systems, or indirectly through organizations that are participants in those systems. Euroclear and Clearstream will hold omnibus positions on behalf of their participants through customers' securities accounts in Euroclear's and Clearstream's names on the books of their respective depositories, which in turn will hold those positions in customers' securities accounts in the depositories' names on the books of DTC. Unless and until definitive notes are issued, the only holder of the notes will be Cede & Co., as nominee of DTC, or the nominee of a successor depositary. Beneficial owners will be permitted to exercise their rights only indirectly through DTC, Euroclear, Clearstream and their participants. In considering the interests of holders of the notes while title to the notes is registered in the name of a nominee of DTC, the Trustee and the Agents may (but will not be obliged to) rely conclusively upon any information made available to it by DTC as to the identity (either individually or by category) of its participants with entitlements to the notes and may (but will not be obliged to) consider such interests as if such accountholders were the holders of the notes. None of the Trustee or the Agents nor any of their respective agents will have any responsibility or be liable for any aspect of the records relating to the book-entry interests.

DTC is a limited-purpose trust company organized under the New York Banking Law, a banking organization within the meaning of the New York Banking Law, a member of the Federal Reserve System, a clearing corporation within the meaning of the New York Uniform Commercial Code, and a clearing agency

registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds securities that its participants deposit with it. DTC also facilitates the settlement among its participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in its participants' accounts, eliminating the need for physical movement of securities certificates. Participants in DTC include Euroclear and Clearstream, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of its participants and by the New York Stock Exchange, the American Stock Exchange and the National Association of Securities Dealers. Access to the DTC system is also available to others, such as securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a DTC participant, either directly or indirectly. The rules applicable to DTC and its participants are on file with the SEC.

Euroclear was created in 1968 to hold securities for its participants and to clear and settle transactions among its participants through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for physical movement of certificates and any risk from lack of simultaneous transfers of securities and cash. Euroclear provides various other services, including securities lending and borrowing, and interfaces with domestic markets in several countries. The Euroclear system is operated by Euroclear Bank SA/NV, a bank incorporated under the laws of the Kingdom of Belgium as the "Euroclear operator." All operations are conducted by the Euroclear operator, and all Euroclear securities clearance accounts and Euroclear cash accounts are accounts with the Euroclear operator. Euroclear participants include banks (including central banks), securities brokers and dealers and other professional financial intermediaries and may include the initial purchasers or their affiliates. Indirect access to Euroclear is also available to other firms that clear through or maintain a custodial relationship with a Euroclear participant, either directly or indirectly.

Securities clearance accounts and cash accounts with the Euroclear operator are governed by the Terms and Conditions Governing Use of Euroclear and the related operating procedures of the Euroclear system and applicable Belgian law. The Euroclear terms and conditions govern transfers of securities and cash within Euroclear, withdrawals of securities and cash from Euroclear, and receipts of payments with respect to securities in Euroclear. All securities in Euroclear are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. The Euroclear operator acts under the Euroclear terms and conditions only on behalf of Euroclear participants, and has no record of or relationship with persons holding through Euroclear participants.

Clearstream is incorporated under the laws of Luxembourg as a professional depositary. Clearstream holds securities for its participating organizations and facilitates the clearance and settlement of securities transactions between its participants through electronic book-entry changes in accounts of its participants, eliminating the need for physical movement of certificates. Clearstream provides to its participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream interfaces with domestic markets in several countries. As a professional depositary, Clearstream is subject to regulation by the Luxembourg Monetary Institute. Clearstream participants are recognized financial institutions around the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations and may include the initial purchasers or their affiliates. Indirect access to Clearstream is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Clearstream participant, either directly or indirectly.

Purchases of notes within the DTC system must be made by or through the DTC participants, which will receive a credit for the notes on DTC's records and on the records of Euroclear or Clearstream, if applicable. The ownership interest of each actual purchaser of notes, a beneficial owner of an interest in a global note, is in turn to be recorded on the DTC participants' and indirect participants' records.

Beneficial owners of interests in a global note will not receive written confirmation from DTC of their purchases, but they are expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the DTC participants or indirect participants through which they purchased the notes. Transfers of ownership interests in the notes are to be accomplished by entries made on the books of the DTC participants and indirect participants acting on behalf of beneficial owners of interests in a global note. Beneficial owners of interests in a global note will not receive certificates representing their ownership interests in the notes unless use of the book-entry system for the notes is discontinued.

Transfers among DTC, Clearstream and Euroclear

Transfers between DTC participants will be effected in the ordinary way in accordance with DTC rules and will be settled in same-day funds. Transfers between participants in Euroclear and Clearstream will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Subject to compliance with the transfer restrictions applicable to the notes, cross-market transfers between persons holding, directly or indirectly through DTC, on the one hand, and directly or indirectly through Euroclear or Clearstream participants, on the other, will be effected in DTC in accordance with DTC rules on behalf of the relevant European international clearing system by the relevant European depositary; however, those crossmarket transactions will require delivery of instructions to the relevant European international clearing system by the counterparty in that system in accordance with its rules and procedures and within its established deadlines (European time). The relevant European international clearing system will, if the transaction meets its settlement requirements, deliver instructions to the relevant European depositary to take action to effect final settlement on its behalf by delivering or receiving securities in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear and Clearstream participants may not deliver instructions directly to the European depositaries.

Because of time zone differences, credits of securities received in Euroclear or Clearstream as a result of a transaction with a person that does not hold the notes through Euroclear or Clearstream will be made during subsequent securities settlement processing and dated the business day following the DTC settlement date. Those credits or any transactions in those securities settled during that processing will be reported to the relevant Euroclear or Clearstream participants on that business day. Cash received in Euroclear or Clearstream as a result of sales of securities by or through a Euroclear participant or a Clearstream participant to a DTC participant will be received with value on the DTC settlement date, but will be available in the relevant Euroclear or Clearstream cash account only as of the business day following settlement in DTC.

Limitations on Responsibilities

DTC, Euroclear and Clearstream have no knowledge of the actual beneficial owners of interests in a global note. DTC's records reflect only the identity of the DTC participants to whose accounts those notes are credited, which may or may not be the beneficial owners of interests in a global note. Similarly, the records of Euroclear and Clearstream reflect only the identity of the Euroclear or Clearstream participants to whose accounts those notes are credited, which also may or may not be the beneficial owners of interests in a global note. DTC, Euroclear and Clearstream participants and indirect participants will remain responsible for keeping account of their holdings on behalf of their customers.

DTC's Procedures for Notices, Voting and Payments

So long as DTC, or its nominee, is the registered owner or holder of a global note, DTC or that nominee, as the case may be, will be considered the sole owner or holder of the notes represented by the global note for all purposes under the notes and the indenture. No beneficial owner of an interest in a global note will be able to transfer that interest except in accordance with DTC's applicable procedures, in addition to those provided for under the indenture.

DTC has advised us that it will take any action permitted to be taken by a holder of notes, including the presentation of notes for exchange as described below, only at the direction of one or more of its participants to whose account DTC's interests in the global notes are credited and only in respect of that portion of the aggregate principal amount of notes as to which that participant or participants has or have given the direction.

Conveyance of notices and other communications by DTC to its participants, by those participants to its indirect participants, and by participants and indirect participants to beneficial owners of interests in a global note will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

The Paying Agent will make payments of principal of and interest on the notes and send any notices in respect of the notes held in book-entry form to Cede & Co.

Payment of principal of and interest on the notes held in book-entry form will be made to Cede & Co. or another nominee of DTC in immediately available funds. DTC's practice is to credit its participants' accounts on

the relevant payment date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payments on that payment date. Payments by DTC's participants and indirect participants to beneficial owners of interests in a global note will be governed by standing instructions and customary practices, and will be the responsibility of those participants and indirect participants and not of DTC or us, subject to any statutory or regulatory requirements that may be in effect from time to time. Payment of principal of and interest on the notes or other amounts to DTC is our responsibility, disbursement of these payments to participants is the responsibility of DTC, and disbursement of those payments to the beneficial owner of an interest in a global note is the responsibility of participants and indirect participants.

All payments on the notes will be made by wire transfer in U.S. dollars by us at our office or agency maintained for that purpose (which initially will be the specified office of the Paying Agent). The principal amount of the notes in definitive form, provided that we act as our own paying agent, will be payable by check, drawn on a bank in The City of New York, upon presentation and surrender of the notes at our offices or at the specified office of the Paying Agent or at such other place or places as we shall designate by notice to the holders of the notes. Interest on the notes in definitive form, provided that we act as our own paying agent, will be payable by check, drawn on a bank in The City of New York, mailed to the persons in whose names the notes, or one or more predecessor notes, are registered on each interest payment record date. Notwithstanding the foregoing, the person in whose name a note is registered may elect to receive payments of principal or interest by wire transfer in immediately available funds to a bank account in The City of New York designated by such person in a written notice received by the Paying Agent (a) in the case of a payment of interest, prior to the interest payment record date immediately preceding the interest payment date on which such payment is due and (b) in the case of payment of principal on the maturity date, prior to the interest payment record date immediately preceding the maturity date, provided that in the case of such payment of principal, the note shall have been surrendered to the trustee for payment together with such notice.

Except as described in this offering circular, a beneficial owner of an interest in a global note will not be entitled to receive physical delivery of notes. Accordingly, each beneficial owner of an interest in a global note must rely on the procedures of DTC to exercise any rights under the notes.

Although DTC, Euroclear and Clearstream have agreed to the foregoing procedures in order to facilitate transfers of interests in the global notes among participants, none of them is under any obligation to perform or continue to perform those procedures, and those procedures may be discontinued at any time. We, the Trustee and the Agents will not have any responsibility for the performance by DTC, Euroclear, Clearstream or their participants or indirect participants under the rules and procedures governing them. DTC, Euroclear and Clearstream may discontinue providing their services as securities depositary with respect to the notes at any time by giving notice to us. Under those circumstances, definitive notes would be delivered as described below.

The information in this section concerning DTC, Euroclear and Clearstream and DTC's book-entry system has been obtained from sources that we believe to be reliable, but we take no responsibility for the accuracy thereof.

Exchange of Global Notes for Definitive Notes

No definitive notes will be issued in exchange for the global notes unless (i) DTC is at any time unwilling or unable to continue as a depositary for the global notes or has ceased to be qualified to act as such as required by the indenture and a successor depositary is not appointed within 90 days or (ii) there shall have occurred and be continuing an Event of Acceleration with respect to the notes and a holder has requested us for definitive notes. Definitive notes delivered in exchange for beneficial interests in any global note will be registered in such names, and issued in such approved denominations, as directed by DTC or the successor depositary, in accordance with its customary procedures, and will be issued without coupons.

The laws of some states require that certain persons take physical delivery of certificates evidencing securities they own. Consequently, the ability to transfer beneficial interests in a global note to such persons will be limited to that extent. Because DTC can act only on behalf of participants, which in turn act on behalf of indirect participants, the ability of beneficial owners of interests in a global note to pledge such interests to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of such interests, may be affected by the lack of a physical certificate evidencing such interests.

Trustee's and Agents' Powers

In considering the interests of the holders of the notes, while title to the notes is registered in the name of a nominee of a clearing system, the Trustee and the Agents may conclusively rely on, any information

provided to it by that clearing system as to the identity (either individually or by category) of its accountholders or persons who hold interests through such accountholders with entitlements to notes and may consider such interests as if such accountholders were the holders of the notes.

Enforcement

For the purposes of enforcement of the provisions of the Indenture by the Trustee, the persons named in a certificate of the holder of the notes in respect of which a Global Note is issued will be recognized as the beneficiaries of the Indenture to the extent of the principal amounts of their interests in the notes set out in the certificate of the holder, as if they were themselves the holders of the notes in such principal amounts.

Clearance and Settlement

The notes have been accepted for clearance through DTC, Euroclear and Clearstream.

Minimum Board Lot Size on the Singapore Exchange

The notes will be traded on the Singapore Exchange in a minimum board lot size of $200,000 for so long as any of the notes are listed on the Singapore Exchange.

Certain Definitions

An "Accounting Event" will be deemed to occur if as a result of (i) a change in accounting principles which has been officially adopted after the Issue Date or (ii) a change in the interpretation thereof (such change an "Accounting Event Change"), but not otherwise, our obligations under the notes following the official adoption or change in interpretation, as applicable, representing such Accounting Event Change, which may fall before the date on which the Accounting Event Change comes into effect, must not, or may no longer, be recorded as "equity" in our audited annual consolidated financial statements prepared in accordance with IFRS or any other accounting standards that we may duly adopt in the future for the preparation of our audited annual consolidated financial statements in accordance with the law of Japan.

"Agents" means the Calculation Agent, the Registrar, the Paying Agent and the Transfer Agent or any of them, and which expression shall include any successor agent.

"Board of Directors" means:

(1) with respect to a corporation, the board of directors (or analogous governing body) of the corporation or any committee thereof duly authorized to act on behalf of such board;

(2) with respect to a partnership, the board of directors of the general partner of the partnership;

(3) with respect to a limited-liability company, the managing member or members or any controlling committee of managing members thereof (or analogous governing body); and

(4) with respect to any other person, the board or committee (or analogous governing body) of such person serving a similar function.

"Business day" means a day, other than a Saturday, Sunday or public holiday, on which commercial banks and foreign exchange markets are open for general business in Tokyo, Hong Kong, London and New York.

"Capital Stock" means:

(i) in the case of a corporation, corporate stock;

(ii) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;

(iii) in the case of a partnership or limited-liability company, partnership interests (whether general or limited) or membership interests; and

(iv) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person,

but excluding from all of the foregoing any debt securities convertible into any of (i) to (iv) above, whether or not such debt securities include any right of participation with any of (i) to (iv) above.

A "Compulsory Arrears of Interest Settlement Event" shall have occurred if:

(i) we have resolved to carry out, or has paid, a dividend of surplus (*jyouyo kin no haitou*) in respect of any Junior Obligations;

(ii) we or any of our subsidiary purchase or acquire any Junior Obligations, save in any of the following cases:

(I) pursuant to Article 155(viii) to (xiii) (inclusive) of the Companies Act;

(II) the exercise of appraisal rights from a dissenting shareholder pursuant to Article 469(1), Article 785(1), Article 797(1), or Article 806(1) of the Companies Act;

(III) the exercise of appraisal rights from a dissenting shareholder pursuant to Article 116(1) of the Companies Act;

(IV) an acquisition from a Subsidiary pursuant to Article 163 of the Companies Act in order to comply with Article 135(3) of the Companies Act;

(V) upon the exercise of appraisal rights from a dissenting shareholder pursuant to Article 182-4(1) of the Companies Act; or

(VI) other purchases of Junior Obligations by us when we are legally obliged to do so;

(iii) a distribution or payment was validly resolved on, declared, paid or made in respect of any Parity Obligations (excluding a distribution or payment resolved on, declared, paid or made in respect of any Parity Obligations concurrently with the redemption, repurchase or acquisition of such Parity Obligations on or after their legal or effective maturity date); or

(iv) we or any of our subsidiary has redeemed, repurchased or otherwise acquired any Parity Obligations (excluding redemption, repurchase or acquisition of such Parity Obligations on or after their legal or effective maturity date).

"Designated Financial Institution" shall have the meaning assigned to it under "—Taxation and Additional Amounts."

"Dividend Declaration" means the authorization by resolution of our general meeting of shareholders or board of directors or other competent corporate body (as the case may be) of the payment, or the making of, a dividend or other distribution or payment (or, if no such authorization is required, the payment, or the making of, a dividend or other distribution or payment).

"First Reset Date" means December 15, 2029.

"ICR" means "Issuer credit rating" as used in the ratings methodology of S&P (or such other nomenclature that S&P may then use to describe such rating).

"Interest Payment Date" means June 15 and December 15 in each year, commencing on June 15, 2025.

"Interest Period" means the period beginning on (and including) the Issue Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date.

"Investment Grade" means a rating equal to or greater than BBB- by S&P or the equivalent thereof under any new ratings system if the ratings systems of S&P will be modified after the Issue Date or, in the case of another Rating Agency, the equivalent then in use by such Rating Agency.

"JCR" means Japan Credit Rating Agency, Ltd.

"Junior Obligations" means (i) any class of our share capital which ranks junior to the Parity Obligations (including our common shares (*futsuu kabushiki*)) and (ii) all of our obligations issued or incurred directly, which rank or are expressed to rank pari passu with any class of our share capital which ranks junior to the Parity Obligations.

"Mandatory Settlement Date" means the earliest of:

(i) as soon as reasonably practicable (but not later than the tenth business day) following the date on which a Compulsory Arrears of Interest Settlement Event occurs;

(ii) following any Deferred Interest Payment, on the next scheduled Interest Payment Date on which we do not elect to defer (in whole or in part) the interest accrued in respect of the relevant Interest Period; and

(iii) the date on which the notes are redeemed or repaid as described under "—Maturity and Redemption" or become due and payable as described under "—Event of Acceleration."

"Parity Obligations" means (if any) (i) the Senior Preference Shares and (ii) any other obligations of us, issued or incurred directly by us, which rank, or are expressed to rank, *pari passu* with the notes, which are those: (a) having substantially the same conditions and particulars as the Subordinate Payment Conditions of the notes with respect to liquidation or bankruptcy in Japan or under any insolvency, bankruptcy or similar law outside of Japan which is applicable to us; and (b) which are either (y) obligations having rights with respect to interest of which are effectively same as the notes (and the inclusion of provisions which allow for the optional deferral of interest at our election will satisfy this condition); or (z) any of our obligations (other than Junior Obligations), the payment of interest and principal on which is subject to the satisfaction of financial conditions and/or our financial performance.

Parity Obligations will include, but will not be limited to our 2nd Unsecured Subordinated Bonds (with subordination provision) (ISIN: JP396720BJC4) (our "Series 2 JPY Hybrid Bonds"), 3rd Unsecured Subordinated Bonds (with subordination provision) (ISIN: JP396720CJC2) (our "Series 3 JPY Hybrid Bonds"), 4th Unsecured Subordinated Bonds (with subordination provision) (ISIN: JP396720ALB4) (our "Series 4 JPY Hybrid Bonds"), 5th Unsecured Subordinated Bonds (with subordination provision) (ISIN: JP396720BLB2) (our "Series 5 JPY Hybrid Bonds") 6th Unsecured Subordinated Bonds (with subordination provision) (ISIN: JP396720CLB0) (our "Series 6 JPY Hybrid Bonds"), Undated Subordinated NC5 Fixed Rate Reset Notes (with subordination provision) (ISIN: US75102WAA62 (144A), USJ6S87BAA66 (Reg.S)), Undated Subordinated NC6 Fixed Rate Reset Notes (with subordination provision) (ISIN: XS2332889851 (144A), XS2332889778 (Reg.S)) and Undated Subordinated NC10 Fixed Rate Reset Notes (with subordination provision) (ISIN: US75102WAB46 (144A), USJ6S87BAX69 (Reg.S)).

"R&I" means Rating and Investment Information, Inc.

"Rating Agency" means S&P, R&I, JCR or any rating agency substituted for them (or any permitted substitute of them) by us from time to time with the prior written approval of the Trustee.

A "Rating Methodology Event" will be deemed to occur if we have received (or if the relevant Rating Agency has published), and notified the holders of the notes that it has so received, confirmation from any Rating Agency of an amendment to, clarification of or change in its assessment criteria or a change in the interpretation thereof which becomes effective on or after the Issue Date (or, if later, effective after the date on which the notes are assigned "equity credit" by a Rating Agency for the first time) and as a result of which, but not otherwise, the notes will no longer be eligible for the same, or a higher amount of, "equity credit" (or such other nomenclature that the Rating Agency may then use to describe the degree to which an instrument exhibits the characteristics of an ordinary share) as was attributed to the notes at the Issue Date (or if "equity credit" is not assigned to the notes by the relevant Rating Agency on the Issue Date, at the date on which "equity credit" is assigned by such Rating Agency for the first time).

"Relevant Date" means (i) in respect of any payment other than a sum to be paid by us on a Subordination Event, the date on which such payment first becomes due and payable but, if the full amount of the moneys payable on such date has not been received by the Paying Agent or the Trustee on or prior to such date,

the Relevant Date means the date on which such moneys will have been so received and notice to that effect will have been given to the holders, and (ii) in respect of a sum to be paid by us on a Subordination Event, the date which is one day prior to the date on which the relevant Subordination Event occurs.

"Reset Date" means the First Reset Date and each date falling on the fifth anniversary of the First Reset Date.

"Reset Period" means each period from and including the First Reset Date to but excluding the next following Reset Date and thereafter from and including each Reset Date to but excluding the next following Reset Date.

"S&P" means S&P Global, Inc.

"Senior Obligations" means all our obligations, issued directly by us, other than Parity Obligations and Junior Obligations.

"Senior Preference Share(s)" means the most senior class (or classes, if there are multiple classes of preference shares ranking *pari passu* with one another) representing the most senior preference shares in our capital (*sai yuusen kabushiki*), to the extent such preference shares are in issue. As of the date of this offering circular, our Series 1 through Series 5 Bond-type Class Shares, which have been authorized but not issued and rank *pari passu* with one another, if issued, would constitute our Senior Preference Shares.

"Special Event" means any of a Tax Deduction Event, a Withholding Tax Event, a Rating Methodology Event, an Accounting Event or a Substantial Purchase Event or any combination of the foregoing.

"Subordination Claim Amount" means, after satisfaction of the relevant Subordinate Payment Conditions, subject to adjustment as described in "—Subordination—General," the amount payable by us in respect of each note (in lieu of any other payment by us), which will be the amount, if any, as would have been payable to the holder of such note if, on the day prior to the commencement of the relevant Subordination Event, and thereafter, such holder were the holder of a Senior Preference Share having an equal right to a return of assets on the occurrence of the relevant Subordination Event, and so ranking *pari passu* with, the holders of Parity Obligations, but ranking junior to the claims of holders of all Senior Obligations (except as otherwise provided by mandatory provisions of law), on the assumption that the amount that such holder was entitled to receive in respect of each Senior Preference Share on a return of assets on the occurrence of such Subordination Event, was an amount equal to the principal amount of the relevant note and any accrued and unpaid interest and any outstanding Arrears of Interest. The claim of any holder of a note with respect to such Subordination Claim Amount will rank senior to the claims of holders of all Junior Obligations.

"Subordination Event" means any one of the following events:

(i) liquidation proceedings (including ordinary or special liquidation proceedings under the Companies Act) (*seisan tetsuzuki*) have been commenced in respect of us, or any other order or resolution for the liquidation, dissolution or our winding up has been made (except, in any such case, a solvent winding-up solely for the purposes of a reorganization, reconstruction or amalgamation of us, the terms of which reorganization, reconstruction or amalgamation (x) have previously been approved in writing by the Trustee (acting in accordance with instruction of holders) and (y) do not provide that the notes will thereby become redeemable or repayable as described herein);

(ii) a Japanese court with jurisdiction decides to commence bankruptcy proceedings (*hasan tetsuzuki*) against us pursuant to the provisions of the Bankruptcy Act; or

(iii) any analogous event relating to us to those described in (i) or (ii) above under any insolvency, bankruptcy or similar law outside of Japan which is applicable to us (including any other order being made, or an effective resolution being passed, for the winding-up and/or liquidation of us (except, in any such case, a solvent winding-up solely for the purposes of a reorganization, reconstruction or amalgamation of us, the terms of which reorganization, reconstruction or amalgamation (x) have previously been approved in writing by the Trustee and (y) do not provide that the notes will thereby become redeemable or repayable as described herein)).

"Subordinate Payment Conditions" means:

(i) in a liquidation, our winding up or dissolution in the manner contemplated under paragraph (i) of the definition of "Subordination Event", all of the Senior Obligations then outstanding (and required to be repaid in connection with such Subordination Event) having been paid in full pursuant to the provisions of the Companies Act, or satisfaction thereof has been received in full through another means;

(ii) in our bankruptcy proceedings in the manner contemplated under paragraph (ii) of the definition of "Subordination Event", all the Senior Obligations stated in the dividend table (*haitou hyou*) prepared by the bankruptcy administrator (*hasan kanzainin*) for making a final distribution have been paid in full pursuant to the provisions of the Bankruptcy Act, or satisfaction thereof has been received in full through another means (including by deposit (*kyotaku*)); or

(iii) in the circumstances contemplated under paragraph (iii) of the definition of "Subordination Event", all Senior Obligations have first been paid in full in a manner analogous to those described under (i) and (ii) above (in accordance, where applicable, with an order, plan, scheme or other structure under the relevant insolvency, bankruptcy or similar law) or satisfaction thereof has been received in full through another means.

A "Substantial Repurchase Event" will be deemed to occur if prior to the giving of the relevant notice of redemption we have repurchased (and effect corresponding cancellations) or redeemed notes in respect of 75 percent or more in the aggregate principal amount of any series of the notes initially issued and any further notes issued pursuant to "—Further Issuances").

A "Tax Deduction Event" will be deemed to have occurred if as a result of a Tax Law Change:

(i) in respect of our obligation to make any interest payment on the next following Interest Payment Date, we would not be entitled to claim a deduction in respect of computing our taxation liabilities in Japan, or such entitlement is reduced compared to such entitlement as at the Issue Date; or

(ii) in respect of our obligation to make any interest payment on the next following Interest Payment Date, we would not be entitled to have such deduction set against the profits of companies with which we are grouped for applicable Japanese tax purposes,

and, in each case, we cannot avoid the foregoing in connection with the notes by taking measures reasonably available to us.

"Tax Law Change" means a change in, or amendment to, the laws or regulations of Japan or any political subdivision or any authority thereof or therein having the power to tax, including any treaty to which Japan is a party, or any change in the official or generally published interpretation of such laws or regulations, including a decision of any court or tribunal, or any official interpretation or published pronouncement by any relevant tax authority that provides for a position with respect to such laws or regulations or interpretation thereof that differs from the previously generally accepted official position in relation to similar transactions, which change, official interpretation, published pronouncement, or amendment has not been publicly announced as formally proposed before, and becomes, or would become, effective on or after the Issue Date.

"Voting Stock" of any specified person as of any date means the Capital Stock of such person that is at the time entitled to vote in the election of the Board of Directors of such person.

A "Withholding Tax Event" will be deemed to occur if as a result of a Tax Law Change, in making any payments on the notes, we have paid or will or would on the next Interest Payment Date be required to pay Additional Amounts on the notes and we cannot avoid the foregoing in connection with the notes by taking measures reasonably available to us.

TAXATION

The following summaries are not intended to be a complete analysis of the tax consequences under Japanese or United States law as a result of the acquisition, ownership and sale of the notes by investors. Potential investors should consult their own tax advisors on the tax consequences of acquisition, ownership, sale, and other relevant circumstances concerning the notes, including specifically the applicable tax consequences under Japanese or United States law, the law of the jurisdiction of their country of residence (if different) and any tax treaty between Japan and their country of residence.

Japanese Taxation

The following is a general description of certain aspects of Japanese taxation applicable to the notes. It does not purport to be a comprehensive description of the tax aspects of the notes. Prospective purchasers should note that, although the general tax information on Japanese taxation is described hereunder for convenience, the statements below are general in nature and not exhaustive.

Prospective purchasers are advised to consult their own legal, tax, accountancy or other professional advisers in order to ascertain their particular circumstances regarding taxation. The statements below are based on current tax laws and regulations in Japan and current income tax treaties executed by Japan all as in effect on the date hereof and all of which are subject to change or differing interpretations (possibly with retroactive effect). Neither such statements nor any other statements in this offering circular are to be regarded as advice on the tax position of any beneficial owner of the notes or any person purchasing, selling or otherwise dealing in the notes or any tax implication arising from the purchase, sale or other dealings in respect of the notes.

The Notes

The notes do not fall under the concept of so-called "taxable linked notes" as described in Article 6, Paragraph (4) of the Special Taxation Measures Act, i.e., notes of which the amount of interest is to be calculated by reference to certain indexes (as prescribed by the Cabinet Order relating to the Special Taxation Measures Act) regarding the issuer of the notes or a person who has a special relationship with the issuer of the notes (that is, in general terms, a person who directly or indirectly controls or is directly or indirectly controlled by, or is under direct or indirect common control with, the issuer of the notes) within the meaning prescribed by the Cabinet Order (such person is referred to as a specially-related person of the issuer).

Representation by Investor upon Distribution

The notes may not, as part of the distribution by the initial purchasers under the purchase agreements relating to the notes, at any time be directly or indirectly offered or sold to, or for the benefit of, any person other than a beneficial owner that is, (i) for Japanese tax purposes, neither (a) an individual resident of Japan or a Japanese corporation, nor (b) an individual non-resident of Japan or a non-Japanese corporation that in either case is a specially-related person of the issuer (excluding an underwriter designated in Article 6, Paragraph (12), item 1 of the Special Taxation Measures Act which purchases unsubscribed portions of the notes from the other underwriters), or (ii) a Japanese financial institution or a Japanese financial instruments business operator, designated in Article 3-2-2, Paragraph (29) of the Cabinet Order.

By subscribing for the notes, an investor will be deemed to have represented that it is a person who falls into the category of (i) or (ii) above.

Interest Payments on Notes and Redemption Gain

The following description of Japanese taxation (limited to national taxes) applies exclusively to interest on the notes and the redemption gain, meaning any positive difference between the acquisition price of the interest-bearing notes of the holder and the amount which the holder receives upon redemption of such interest-bearing notes (the "Redemption Gain"). In addition, the following description assumes that only global notes are issued for the notes and no definitive notes and coupons that are independently traded are issued, in which case different tax consequences may apply. It is not intended to be exhaustive and prospective purchasers are recommended to consult their tax advisers as to their exact tax position.

1. Non-resident Investors

If the recipient of interest on the notes or of the Redemption Gain with respect to interest-bearing notes is an individual non-resident of Japan or a non-Japanese corporation for Japanese tax purposes, as described

below, the Japanese tax consequences for such individual non-resident of Japan or non-Japanese corporation are significantly different depending upon whether such individual non-resident of Japan or non-Japanese corporation is a specially-related person of the issuer. Most importantly, if such individual non-resident of Japan or non-Japanese corporation is a specially-related person of the issuer, income tax at the rate of 15.315% of the amount of such interest will be withheld by the issuer of the notes under Japanese tax law.

1.1. Interest

(1) If the recipient of interest on the notes is an individual non-resident of Japan or a non-Japanese corporation having no permanent establishment within Japan or having a permanent establishment within Japan but where the receipt of the interest on the notes is not attributable to such permanent establishment, no Japanese income tax or corporate tax is payable with respect to such interest whether by way of withholding or otherwise, if such recipient complies with certain requirements, inter alia:

(i) if the relevant notes are held through certain participants in an international clearing organization such as DTC, Euroclear or Clearstream or certain financial intermediaries prescribed by the Special Taxation Measures Act and the Cabinet Order, or together with the Special Taxation Measures Act and the ministerial ordinance and other regulations thereunder, the Law (each such participant or financial intermediary, a Participant), the requirement to provide, at the time of entrusting a Participant with the custody of the relevant notes, certain information prescribed by the Law to enable the Participant to establish that the recipient is exempt from the requirement for Japanese tax to be withheld or deducted (the "Interest Recipient Information"), and to advise the Participant if such individual non-resident of Japan or non-Japanese corporation ceases to be so exempted (including the case where it became a specially-related person of the issuer); and

(ii) if the relevant notes are not held by a Participant, the requirement to submit to the relevant paying agent a claim for exemption from taxation (including a claim for exemption from taxation in electronic form) (the "Claim for Exemption from Taxation"), together with certain documentary evidence.

Failure to comply with such requirements described above (including the case where the Interest Recipient Information is not duly communicated as required under the Law) will result in the withholding by the issuer of the notes of income tax at the rate of 15.315% of the amount of such interest.

(2) If the recipient of interest on the notes is an individual non-resident of Japan or a non-Japanese corporation having a permanent establishment within Japan and the receipt of interest is attributable to such permanent establishment, such interest will not be subject to a 15.315% withholding tax by the issuer of the notes, if the recipient provides the Interest Recipient Information or submits the Claim for Exemption from Taxation as set out in paragraph 1.1(1) above. Failure to do so will result in the withholding by the issuer of the notes of income tax at the rate of 15.315% of the amount of such interest. The amount of such interest will be aggregated with the recipient's other Japanese source income and will be subject to regular income tax or corporate tax, as appropriate.

(3) Notwithstanding paragraphs 1.1(1) and (2) above, if an individual non-resident of Japan or a non-Japanese corporation mentioned above is a specially-related person of the issuer as of the beginning of the year of the issuer of the notes in which the relevant interest payment date falls, the exemption from Japanese withholding tax on interest mentioned above will not apply, and income tax at the rate of 15.315% of the amount of such interest will be withheld by the issuer of the notes. If such individual non-resident of Japan or non-Japanese corporation has a permanent establishment within Japan and the receipt of interest is attributable to such permanent establishment, regular income tax or corporate tax, as appropriate, collected otherwise by way of withholding, will apply to such interest under Japanese tax law.

(4) If an individual non-resident of Japan or a non-Japanese corporation (regardless of whether it is a specially-related person of the issuer) is subject to Japanese withholding tax with respect to interest on the notes under Japanese tax law, a reduced rate of withholding tax or exemption from such

withholding tax may be available under the relevant income tax treaty between Japan and the country of tax residence of such individual non-resident of Japan or non-Japanese corporation. As of the date of this offering circular, Japan has income tax treaties, conventions or agreements whereby the above-mentioned withholding tax rate is reduced, generally to 10% with, inter alia, Australia, Canada, Finland, France, Hong Kong, Ireland, Italy, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, Qatar and Singapore. Under the income tax treaties with Sweden, the UK, Austria, Denmark, Germany, the United States, Belgium, Spain and Switzerland, interest paid to qualified Swedish, UK, Austrian, Danish, German, United States, Belgian, Spanish or Swiss residents is, subject to compliance with certain procedural requirements under Japanese law, generally exempt from Japanese withholding tax (for Belgium, only for a Belgian enterprise). Under the income tax treaties with France, Australia, the Netherlands, New Zealand and Qatar, certain limited categories of qualified residents receiving interest on the notes may, subject to compliance with certain procedural requirements under Japanese law, be fully exempt from Japanese withholding tax for interest on the notes (provided that no exemption will apply to pension funds in the case of Australia and New Zealand). In order to avail themselves of such reduced rate of, or exemption from, Japanese withholding tax under any applicable income tax treaty, individual non-residents of Japan or non-Japanese corporations which are entitled, under any applicable income tax treaty, to a reduced rate of, or exemption from, Japanese withholding tax on payment of interest by the issuer of the notes are required to submit an Application Form for Income Tax Convention regarding Relief from Japanese Income Tax and Special Income Tax for Reconstruction on Interest (as well as any other required forms and documents) in advance through the issuer of the notes to the relevant tax authority before payment of interest.

(5) Under the Law, if an individual non-resident of Japan or a non-Japanese corporation that is a beneficial owner of the notes becomes a specially-related person of the issuer, or an individual non-resident of Japan or a non-Japanese corporation that is a specially-related person of the issuer becomes a beneficial owner of the notes, and if such notes are held through a Participant, then such individual non-resident of Japan or non-Japanese corporation should notify the Participant of such change in status by the immediately following interest payment date of the notes. As described in paragraph 1.1(3) above, as the status of such individual non-resident of Japan or non-Japanese corporation as a specially-related person of the issuer for Japanese withholding tax purposes is determined based on the status as of the beginning of the year of the issuer in which the relevant interest payment date falls, such individual non-resident of Japan or non-Japanese corporation should, by such notification, identify and advise the Participant of the specific interest payment date on which Japanese withholding tax starts to apply with respect to such individual non-resident of Japan or non-Japanese corporation as being a specially-related person of the issuer.

1.2. Redemption Gain

(1) If the recipient of the Redemption Gain is an individual non-resident of Japan or a non-Japanese corporation having no permanent establishment within Japan or having a permanent establishment within Japan but the receipt of such Redemption Gain is not attributable to such permanent establishment, no income tax or corporate tax is payable with respect to such Redemption Gain.

(2) If the recipient of the Redemption Gain is an individual non-resident of Japan or a non-Japanese corporation having a permanent establishment within Japan and the receipt of such Redemption Gain is attributable to such permanent establishment, such Redemption Gain will not be subject to any withholding tax but will be aggregated with the recipient's other Japanese source income which is subject to Japanese taxation and subject to regular income tax or corporate tax, as appropriate.

(3) Notwithstanding paragraphs 1.2(1) and (2) above, if an individual non-resident of Japan or a non-Japanese corporation mentioned above is a specially-related person of the issuer as of the beginning of the year of the issuer of the notes in which such individual non-resident of Japan or non-Japanese corporation acquired such notes, the Redemption Gain will not be subject to withholding tax but will be subject to regular income tax or corporate tax, as appropriate, under Japanese tax law, regardless of whether such individual non-resident of Japan or non-Japanese corporation has a permanent establishment within Japan; provided that an exemption may be available under the relevant income tax treaty.

2. Resident Investors

If the recipient of interest on the notes is an individual resident of Japan or a Japanese corporation for Japanese tax purposes, as described below, regardless of whether such recipient is a specially-related person of the issuer, income tax will be withheld at the rate of 15.315% of the amount of such interest, if such interest is paid to an individual resident of Japan or a Japanese corporation (except for (i) a Japanese financial institution or a Japanese financial instruments business operator, designated in Article 3-2-2, Paragraph (29) of the Cabinet Order, each, a Designated Financial Institution, which complies with the requirement for tax exemption under Article 6, Paragraph (11) of the Special Taxation Measures Act or (ii) a Japanese public corporation or a Japanese public-interest corporation designated by the relevant law, each, a Public Corporation etc., or a Japanese bank, a Japanese insurance company, a Japanese financial instruments business operator or other Japanese financial institution falling under certain categories prescribed by Article 3-3, Paragraph (6) of the Special Taxation Measures Act, each, a Specified Financial Institution, to which such interest is paid through a payment handling agent in Japan as defined in Article 2-2, Paragraph (2) of the Cabinet Order, or a Japanese Payment Handling Agent, with custody of the notes (the "Japanese Custodian"), in compliance with the requirement for tax exemption under Article 3-3, Paragraph (6) of the Special Taxation Measures Act). In addition to the withholding tax consequences upon resident investors as explained in this section 2, resident investors should consult their own tax advisors regarding their regular income tax or corporate tax consequences other than by way of withholding.

2.1. Interest

(1) If an individual resident of Japan or a Japanese corporation (other than a Specified Financial Institution or a Public Corporation etc., who complies with the requirement as referred to in paragraph 2.1(2) below) receives payments of interest on the notes through Japanese Payment Handling Agents, income tax at the rate of 15.315% of the amount of such interest will be withheld by the Japanese Payment Handling Agent rather than by the issuer of the notes. As the issuer of the notes is not in a position to know in advance the recipient's status, the recipient of interest falling within this category should inform the issuer of the notes through a paying agent of its status in a timely manner. Failure to so inform may result in double withholding. In addition, interest on the notes received by an individual resident of Japan through a Japanese Payment Handling Agent will be subject to 15.315% separate net basis taxation in Japan by filing a separate tax return, and if any withholding tax stated above is to be withheld by the Japanese Payment Handling Agent, the amount of such withholding tax would be credited to Japanese individual income tax upon filing of such separate tax return; provided, however, that an individual noteholder being an individual resident of Japan may choose not to include the interest on the notes to be paid each time in his or her tax return, in which case the above-stated withholding tax would be the final Japanese tax for such individual noteholder being an individual resident of Japan. On the other hand, in the case of other recipients who are Japanese corporations referred to in the beginning of this paragraph, the amount of interest received by any such recipient will be included in such recipient's other taxable income and subject to regular corporate tax.

(2) If the recipient of interest on the notes is a Public Corporation etc. or a Specified Financial Institution that keeps its notes deposited with, and receives the interest through, the Japanese Custodian, and such recipient submits through such Japanese Custodian to the competent tax authority the report prescribed by the Law, no withholding tax is levied on the amount of interest, provided that a Specified Financial Institution will be subject to regular corporate tax with respect to such interest. However, since the issuer of the notes is not in a position to know in advance the recipient's tax exemption status, the recipient of interest falling within this category should inform the issuer of the notes through a paying agent of its status in a timely manner. Failure to so notify the issuer of the notes may result in the withholding by the issuer of the notes of a 15.315% income tax.

(3) If an individual resident of Japan or a Japanese corporation (except for a Designated Financial Institution which complies with the requirements described in paragraph 2.1(4) below) receives interest on the notes not through a Japanese Payment Handling Agent, income tax at the rate of 15.315% of the amount of such interest will be withheld by the issuer of the notes, and the amount of such interest will be aggregated with the recipient's other taxable income and subject to income tax or corporate tax, as appropriate.

(4) If a Designated Financial Institution receives interest on the notes not through a Japanese Payment Handling Agent and such recipient complies with the requirement, inter alia, to provide the Interest Recipient Information or to submit the Claim for Exemption from Taxation as referred to in paragraph 1.1(1) above, no withholding tax will be imposed, while the Designated Financial Institution will be subject to regular corporate tax with respect to such interest.

2.2. Redemption Gain

If the recipient of the Redemption Gain is an individual resident of Japan or a Japanese corporation, such Redemption Gain will not be subject to any withholding tax. In addition, if the recipient of the Redemption Gain is an individual resident of Japan, such Redemption Gain will be subject to 15.315% separate net basis taxation in Japan by filing a separate tax return. If the recipient of the Redemption Gain is a Japanese corporation, such Redemption Gain will be included in the recipient's other taxable income and subject to regular corporate tax with some limited exceptions.

3. Special Additional Withholding Tax for Reconstruction from the Great East Japan Earthquake

Due to the imposition of a special additional withholding tax of 0.315% (or 2.1% of 15%) to secure funds for reconstruction from the Great East Japan Earthquake, the withholding tax rate has been effectively increased to 15.315% during the period beginning on January 1, 2013 and ending on December 31, 2037.

Capital Gains, Stamp Tax and Other Similar Taxes, Inheritance Tax and Gift Tax

Gains derived from the sale of notes outside Japan by an individual non-resident of Japan or a non-Japanese corporation having no permanent establishment within Japan are, in general, not subject to Japanese income tax or corporate tax.

No stamp, issue, registration or similar taxes or duties will, under current Japanese law, be payable in Japan by holders of the notes in connection with the issue of the notes, nor will such taxes be payable by holders of the notes in connection with their transfer if such transfer takes place outside Japan.

Japanese inheritance tax or gift tax at progressive rates may be payable by an individual, wherever resident, who has acquired notes from another individual as legatee, heir or donee.

United States Taxation

This section describes the material United States federal income tax considerations generally applicable to a United States holder (as defined below) of owning and disposing of the notes we are offering. It applies to you only if you acquire notes in this offering at their initial offering price and you hold your notes as capital assets for United States federal income tax purposes. This discussion addresses only United States federal income taxation and does not discuss all of the tax consequences that may be relevant to you in light of your individual circumstances, including foreign, state or local tax consequences, estate and gift tax consequences and tax consequences arising under the Medicare contribution tax on net investment income or the alternative minimum tax. This section does not address all of the tax consequences that apply to United States holders that are ineligible for the benefits of the current income tax treaty between the United States of America and Japan (the "Treaty"). In addition, this section does not address all of the tax consequences that may apply to you if you are a member of a class of holders subject to special rules, such as:

- a broker or dealer in securities or currencies,
- a trader in securities that elects to use a mark-to-market method of accounting for your securities holdings,
- a bank or other financial institution,
- an insurance company,
- a tax-exempt organization or governmental organization,
- a tax-qualified retirement plan,

- a real estate investment trust or regulated investment company,
- a person that actually or constructively owns 10% or more of the combined voting power of our voting stock or of the total value of our stock,
- a person that owns notes that are a hedge or that are hedged against interest rate or currency risks,
- a person that owns notes as part of a straddle or conversion transaction for tax purposes,
- a person deemed to sell notes under the constructive sale provisions of the Code (as defined below),
- a person that purchases or sells notes as part of a wash sale for tax purposes, or
- a person whose functional currency for tax purposes is not the U.S. dollar.

This section is based on the Internal Revenue Code of 1986, as amended (the "Code"), its legislative history, existing and proposed regulations under the Code, published rulings and court decisions, and the Treaty, all as currently in effect. These authorities are subject to change, possibly on a retroactive basis.

You are a United States holder if you are a beneficial owner of a note and you are, for United States federal income tax purposes:

- an individual who is a citizen or resident of the United States,
- a domestic corporation,
- an estate whose income is subject to United States federal income tax regardless of its source, or
- a trust if (i) a United States court can exercise primary supervision over the trust's administration and one or more United States persons are authorized to control all substantial decisions of the trust or (ii) the trust has a valid election in effect under applicable United States Treasury regulations to be treated as a United States person.

If an entity or arrangement that is treated as a partnership for United States federal income tax purposes holds the notes, the United States federal income tax treatment of a partner will generally depend on the status of the partner and the tax treatment of the partnership. A partner in a partnership holding the notes should consult its tax advisor with regard to the United States federal income tax treatment of an investment in the notes.

Please consult your own tax advisor concerning the consequences of owning the notes in your particular circumstances under the Code and the laws of any other taxing jurisdiction.

Tax Classification of the Notes

For United States federal income tax purposes, one of the primary characteristics used to distinguish the treatment of an instrument as indebtedness from an instrument treated as equity is whether the instrument, according to its terms, provides an unconditional promise to pay a fixed sum certain on a particular date in the future. We believe that the notes, due to their perpetual term, should be treated as equity for United States federal income tax purposes, and the following discussion assumes such treatment. However, no assurance can be given that the Internal Revenue Service (the "IRS") will not assert that the notes should be treated in some other manner for United States federal income tax purposes or that a court would not sustain such an assertion. Prospective investors should consult their tax advisors regarding the proper treatment of the notes for United States federal income tax purposes.

The tax treatment of your notes will depend in part on whether or not we are classified as a PFIC for United States federal income tax purposes. As discussed below under "—PFIC Classification," we are unable to express any expectation as to whether we will be classified as a PFIC for the current taxable year or in future taxable years. You should carefully review, and discuss with your tax advisors, the discussion below under "PFIC Classification" as to whether we are or will be classified as a PFIC, and the potentially adverse tax consequences to you if we are classified as a PFIC in any taxable year in which you hold the notes.

Payments of Interest

The interest payments with respect to the notes (including any Japanese tax withheld and additional amounts paid in respect thereof) will, notwithstanding being denominated as "interest," be treated as dividends to the extent paid out of our current or accumulated earnings and profits, as determined under United States federal income tax principles. To the extent that the amount of any interest payment exceeds our current and accumulated earnings and profits for a taxable year, the payment will first be treated as a tax-free return of capital, causing a reduction in the tax basis of the notes, and to the extent the amount of the payment exceeds your tax basis, the excess will be taxed as gain recognized on a sale of the notes (as discussed below). We do not, however, expect to determine our earnings and profits in accordance with United States federal income tax principles. Therefore, you should expect that an interest payment on the notes will generally be reported as a dividend. All references to "dividends" or "distributions" below refer to amounts payable on the notes as "interest" (including any additional amounts).

Any dividends that you receive will be includable in your gross income as ordinary income on the day actually or constructively received by you, subject to the application of the PFIC rules discussed below under the heading "—PFIC Classification." Such dividends will not be eligible for the dividends received deduction allowed to corporations under the Code.

Subject to certain conditions and limitations (including a minimum holding period requirement), dividends received by a non-corporate United States holder from a "qualified foreign corporation" may be treated as "qualified dividends" that are subject to reduced rates of taxation. A foreign corporation is treated as a qualified foreign corporation for these purposes if the corporation is not a PFIC (as discussed below) in the taxable year in which such dividends are paid or in the preceding taxable year and (i) the shares on which the dividends are paid are readily tradeable on an established securities market in the United States or (ii) the foreign corporation is eligible for the benefits of a comprehensive income tax treaty with the United States which the United States Treasury Department determines to be satisfactory for these purposes and which contains an exchange of information provision. The United States Treasury Department has determined that the Treaty meets these requirements. Therefore, subject to the discussion below under "PFIC Classification", dividends that are paid with respect to notes that are held by a non-corporate United States holder may be treated as "qualified dividends" that are subject to reduced rates of taxation.

Dividends that are paid on the notes that exceed certain thresholds in relation to your tax basis in the notes could be characterized as "extraordinary dividends" under the Code. A non-corporate U.S. holder will be required to treat any loss on the sale or other taxable disposition of the notes as a long-term capital loss (regardless of its holding period) to the extent of any extraordinary dividends such U.S. holder receives that are subject to the reduced rates of taxation discussed above.

Dividends that are paid on the notes generally will be treated as income from sources outside of the United States and generally will constitute passive category income for foreign tax credit purposes. Subject to certain conditions and limitations (including a minimum holding period requirement), Japanese withholding taxes, if any, imposed with respect to such dividends may be treated as foreign taxes eligible for credit against your United States federal income tax liability. However, any Japanese withholding taxes will not be eligible for a foreign tax credit to the extent that such taxes could have been eliminated under Japanese Law or under the Treaty (as described in "—Japanese Taxation" above). If you do not elect to claim a foreign tax credit, you may instead claim a deduction for any Japanese withholding taxes, but only for a taxable year in which you elect to do so with respect to all foreign income taxes paid or accrued in such taxable year and subject to generally applicable limitations under United States tax law. The rules governing the foreign tax credit and foreign tax deductions are complex. You are urged to consult your tax advisors regarding the availability of the foreign tax credit or any foreign tax deduction under your particular circumstances.

Sale, Exchange or Other Taxable Disposition of the Notes

Upon the sale, exchange or other taxable disposition of the notes, you will recognize taxable gain or loss in an amount equal to the difference between the amount realized for the notes and your tax basis in the notes. Subject to the discussion under "—PFIC Classification" below, such gain or loss will generally capital gain or loss and will generally be long-term capital gain or loss if you have held the notes for more than one year at the time of the sale or other disposition; otherwise, such capital gain or loss will generally be short-term capital gain or loss. Long-term capital gain of a non-corporate United States holder (including an individual) is generally taxed at preferential rates. The deductibility of capital losses is subject to limitations. Any gain or loss recognized generally will be treated as gain or loss from sources within the United States.

PFIC Classification

The determination of whether or not we are a PFIC is made on an annual basis and will depend on the composition of our income and assets and the valuation of our assets from time to time.

Specifically, we will be a PFIC for any taxable year if:

- at least 75% of our gross income for the taxable year is passive income, or
- at least 50% of the value, generally determined on the basis of a quarterly average, of our assets in such taxable year is attributable to assets that produce or are held for the production of passive income.

"Passive income" generally includes dividends, interest (subject to the active bank exception as discussed below), gains from the sale or exchange of investment property, rents and royalties (other than certain rents and royalties derived in the active conduct of a trade or business) and certain other specified categories of income. In addition, cash and other assets readily convertible into cash are generally considered passive assets. If a foreign corporation owns at least 25% by value of the stock of another corporation, the foreign corporation is treated for purposes of the PFIC tests as owning its proportionate share of the assets of the other corporation, and as receiving directly its proportionate share of the other corporation's income.

Based on a review of our current and projected assets and income, we are unable to express any expectation as to whether we will be classified as a PFIC for the current taxable year or in future taxable years. This is due to the fact that we and our subsidiaries hold a substantial amount of passive and active assets, and it is therefore possible that we may be classified as a PFIC under the asset test described above (although we currently expect that we would not be a PFIC under the income test described above).

In addition, the risk that we could be classified as a PFIC either in the current taxable year or in a future taxable year could increase based on a number of factors. More specifically, we currently believe that *Rakuten Bank* qualifies for special rules that treats certain income recognized by a bank in the active conduct of a banking business as active income for PFIC purposes (the "active bank exception"). It is possible, however, that *Rakuten Bank* may not satisfy the requirements of the active bank exception in the current or a future taxable year, or that the U.S. Internal Revenue Service ("IRS") may issue guidance in the future under which *Rakuten Bank* would not satisfy the requirements of the active bank exception. Moreover, our other non-bank subsidiaries hold a substantial amount of assets that would not qualify as active assets under the active bank exception, and our PFIC status could be adversely impacted if the proportion of such passive assets held by our subsidiaries were to materially increase. Finally, our active assets include a significant amount of goodwill, which may be calculated based on the market value of our shares and which would decline if such market value were to decline. Accordingly, even if we are not currently classified as a PFIC, it is possible that we could become a PFIC in a future taxable year. We do not intend to make annual determinations of our PFIC status.

If we are treated as a PFIC for any taxable year during which you hold notes, and you did not make a timely mark-to-market election, as described below, you will generally be subject to special rules with respect to:

- any gain you realize on the sale or other disposition of your notes, and
- any excess distributions that we make to you (generally, any distributions to you during a single taxable year, other than the taxable year in which your holding period in the notes begins, that are greater than 125% of the average annual distributions received by you in respect of the notes during the three preceding taxable years or, if shorter, your holding period for the notes that preceded the taxable year in which you receive the distributions).

Under these rules:

- the gain or excess distribution will be allocated ratably over your holding period for the notes,
- the amount allocated to the taxable year in which you realized the gain or excess distribution or to prior years before the first year in which we were a PFIC with respect to you will be taxed as ordinary income,
- the amount allocated to each other prior year will be taxed at the highest tax rate in effect for that year for individuals or corporations, as applicable, and

- the interest charge generally applicable to underpayments of tax will be imposed in respect of the tax attributable to each such year.

Special rules apply for calculating the amount of the foreign tax credit that is available for any foreign taxes that are imposed with respect to excess distributions by a PFIC.

Although the determination of whether we are a PFIC is an annual test, unless you make certain elections, your notes will generally be treated as stock in a PFIC if we were a PFIC at any time during your holding period in your notes, even if we cease to be a PFIC in subsequent taxable years.

If we are a PFIC in a taxable year and our notes are treated as "marketable stock" in such year, you may make a mark-to-market election with respect to your notes. The notes generally will be treated as marketable stock if they are regularly traded on a "qualified exchange" (within the meaning of the applicable Treasury regulations). Although approval in-principle has been obtained from the Singapore Exchange for the listing and quotation of the notes on the Singapore Exchange, which must meet certain trading, listing, financial disclosure and other requirements to be treated as a qualified exchange for these purposes, no assurance can be given that the notes will be "regularly traded" for purposes of the mark-to-market election.

If you make a mark-to-market election, you will not be subject to the PFIC rules described above. Instead, in general, for each year that we are a PFIC you will include as ordinary income the excess, if any, of the fair market value of your notes at the end of your taxable year over your adjusted tax basis in your notes. You will also recognize an ordinary loss for each year that we are a PFIC in respect of the excess, if any, of your adjusted tax basis in your notes over their fair market value at the end of your taxable year (but only to the extent of the net amount of previously included income as a result of the mark-to-market election). Your tax basis in the notes will be adjusted to reflect any such income or loss amounts. In addition, for each year that we are a PFIC, any gain that you recognize on the sale or other disposition of your notes would be ordinary income and any loss would be an ordinary loss to the extent of the net amount of previously included income as a result of the mark-to-market election and, thereafter, a capital loss.

Alternatively, holders of stock in a PFIC can sometimes avoid the PFIC rules described above by electing to treat the PFIC as a "qualified electing fund" under Section 1295 of the Code. However, this option is not expected to be available to you with respect to the notes because we do not intend to comply with the requirements necessary to permit you to make this election.

In addition, notwithstanding any election you make with regard to the notes, if you are a non-corporate United States holder, dividends that you receive from us will not constitute qualified dividend income to you if we are a PFIC (or are treated as a PFIC with respect to you) either in the taxable year of the payment of the dividend or the preceding taxable year. Dividends that you receive that do not constitute qualified dividend income are not eligible for taxation at the preferential rates applicable to qualified dividend income. Instead, you must include the gross amount of any such dividend paid by us out of our current or accumulated earnings and profits (as determined for United States federal income tax purposes) in your gross income, and it will be subject to tax at rates applicable to ordinary income.

If we are a PFIC and, at any time, have a foreign subsidiary that is classified as a PFIC (as we expect will be the case if we are classified as a PFIC), you generally would be deemed to own a portion of the shares of such lower-tier PFIC, and generally could incur liability for the deferred tax and interest charge described above if we receive a distribution from, or dispose of all or part of our interest in, the lower-tier PFIC or you otherwise were deemed to have disposed of an interest in the lower-tier PFIC. A mark-to-market election generally would not be available with respect to such lower-tier PFIC. Accordingly, if we are a PFIC in a taxable year in which you hold the notes, you may be subject to the PFIC rules with respect to such lower-tier PFICs even if you make the mark-to-market election described above.

If you own notes during any year that we are a PFIC with respect to you, you generally will be required to file IRS Form 8621. You should consult your own tax advisor concerning the United States federal income tax consequences of holding notes if we are a PFIC in any taxable year.

Backup Withholding and Information Reporting

Generally, information reporting requirements will apply to all payments on the notes and the proceeds to you from the sale, exchange or other disposition of a note, unless you establish that you are an exempt recipient.

Additionally, backup withholding may apply to any such payments or proceeds if you fail to provide an accurate taxpayer identification number or a certification that you are not subject to backup withholding, or if you fail to report in full dividend and interest income. Backup withholding is not an additional tax and any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against your United States federal income tax liability, provided the required information is timely furnished to the IRS.

Foreign Financial Asset Reporting

A United States holder that owns "specified foreign financial assets" with an aggregate value in excess of $50,000 (and in some circumstances, a higher threshold) may be required to file an information report with respect to such assets with its tax return. "Specified foreign financial assets" may include financial accounts maintained by foreign financial institutions, as well as the following, but only if they are held for investment and not held in accounts maintained by financial institutions: (i) stocks and securities issued by non-United States persons (such as the notes), (ii) financial instruments and contracts that have non-United States issuers or counterparties, and (iii) interests in foreign entities. You are urged to consult your tax advisor regarding the application of these filing requirements to your ownership of the notes.

FATCA

Under Sections 1471 through 1474 of the Code (such Sections commonly referred to as "FATCA"), a "foreign financial institution" (as specifically defined under FATCA) that enters into an agreement with the United States Treasury Department may be required to withhold 30% from certain "foreign passthru payments" made to holders that fail to comply with certain certification and/or information reporting requirements. Although the definition of a "foreign passthru payment" is still reserved under current regulations, the term generally refers to payments that are from non-United States sources but that are "attributable to" certain United States payments. Pursuant to proposed United States Treasury regulations (upon which taxpayers may rely until final regulations are issued), withholding on foreign passthru payments, if applicable, would not be required with respect to payments made before the date which is two years after the publication of final regulations defining the term foreign passthru payment. It is unclear whether or to what extent payments on the notes would be considered foreign passthru payments that may be subject to withholding under FATCA. The United States and Japan have entered into an intergovernmental agreement to facilitate the implementation of FATCA, but this agreement does not indicate how the United States and Japan will address foreign passthru payments. We will not pay additional amounts to holders of the notes on account of any withholding that may be imposed pursuant to FATCA. Prospective investors should consult their tax advisors regarding the application of the FATCA rules to an investment in the notes.

TRANSFER RESTRICTIONS

Because of the following restrictions, investors are advised to consult legal counsel prior to making any reoffering, resale, pledge or transfer of the notes.

The offering is being made in accordance with Rule 144A and Regulation S under the Securities Act. The notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction and, accordingly, may not be offered, sold, pledged or otherwise transferred or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except as set forth below.

Rule 144A Notes

Each purchaser of the notes offered hereby in reliance on Rule 144A (the "Rule 144A Notes") will be deemed to have represented and agreed as follows:

It (A) is a QIB, (B) is aware that the sale of the notes to it is being made in reliance on Rule 144A, and (C) is acquiring the notes for its own account or for the account of a QIB, as the case may be.

It understands that the notes have not been and will not be registered under the Securities Act and may not be offered, resold, pledged or otherwise transferred except as permitted by the legend set forth in paragraph (3) below.

It understands that the notes will bear a legend to the following effect, unless Rakuten determines otherwise in compliance with applicable law:

"THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). THE HOLDER HEREOF AGREES FOR THE BENEFIT OF RAKUTEN GROUP, INC. (THE "COMPANY") THAT THIS NOTE MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (1) TO THE COMPANY, (2) TO A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT ("RULE 144A")) OR A PERSON WHO THE SELLER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER IN ACCORDANCE WITH RULE 144A, PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, (3) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (4) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT, PROVIDED THAT, AS A CONDITION TO THE REGISTRATION OF THE TRANSFER THEREOF, THE COMPANY OR THE TRANSFER AGENT MAY REQUIRE THE DELIVERY OF ANY DOCUMENTS, INCLUDING AN OPINION OF COUNSEL, THAT IT, IN ITS SOLE DISCRETION, MAY DEEM NECESSARY OR APPROPRIATE TO EVIDENCE COMPLIANCE WITH SUCH EXEMPTION (IF AVAILABLE), OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND OTHER JURISDICTIONS. THE HOLDER HEREOF, BY PURCHASING OR ACCEPTING THIS NOTE, REPRESENTS AND AGREES FOR THE BENEFIT OF THE COMPANY THAT IT WILL NOTIFY ANY PURCHASER OF THIS NOTE FROM THE HOLDER OF THE RESALE RESTRICTIONS REFERRED TO ABOVE. THIS LEGEND WILL BE REMOVED ONLY AT THE OPTION OF THE COMPANY."

Regulation S Notes

Each purchaser of notes other than the Rule 144A Notes (the "Regulation S Notes") will be deemed to have represented and agreed as follows:

It is a non-U.S. person who is acquiring such Regulation S Notes in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act.

It understands that such Regulation S Notes have not been and will not be registered under the Securities Act and may not be offered, resold, pledged or transferred within the United States or to, or for the account or benefit of U.S. persons except as permitted by the legend set forth in paragraph (3) below.

It understands that the Regulation S Notes will bear a legend to the following effect, unless Rakuten determines otherwise in compliance with applicable law:

"THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY JURISDICTION AND MAY NOT BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO A U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT. RAKUTEN GROUP, INC. HAS AGREED THAT THIS LEGEND SHALL BE DEEMED TO HAVE BEEN REMOVED ON THE 41ST DAY FOLLOWING THE LATER OF THE COMMENCEMENT OF THE OFFERING OF THE NOTES AND THE FINAL DELIVERY DATE WITH RESPECT THERETO."

Each purchaser and transferee of the notes offered hereby will be deemed to have represented and agreed that either (i) no portion of the assets used by such purchaser or transferee, as applicable, constitute the assets of (a) an "employee benefit plan" subject to Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA"), (b) a plan, individual retirement account or other arrangement that is subject to Section 4975 of the Internal Revenue Code, or provisions under any other U.S. or non-U.S. federal, state, local or other laws or regulations that are similar to such provisions of ERISA or the Internal Revenue Code (collectively, "Similar Laws"), or (c) an entity whose underlying assets are considered to include the "plan assets" of any such plan, account or arrangement (each of the foregoing described in clauses (a), (b) and (c) referred to herein as a "Plan") or (ii) its purchase of such note will not constitute a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Internal Revenue Code or a similar violation of any applicable Similar Laws.

PLAN OF DISTRIBUTION

Under the terms and subject to the conditions set forth in a purchase agreement, dated December 4, 2024 (the "purchase agreement") between us and the initial purchasers named below, for whom Morgan Stanley & Co. LLC is acting as the representative, the initial purchasers have severally, and not jointly, agreed to purchase, and we have agreed to sell to the initial purchasers, the respective principal amount of the notes listed opposite their names below.

Initial Purchasers of the Notes	Principal amount of the notes
Morgan Stanley & Co. LLC	$214,500,000
Daiwa Capital Markets America Inc.	110,000,000
Mizuho Securities USA LLC	110,000,000
Goldman Sachs & Co. LLC	55,000,000
SMBC Nikko Securities America, Inc.	27,500,000
ING Bank N.V., Singapore Branch	16,500,000
BofA Securities, Inc.	5,500,000
Citigroup Global Markets Inc.	5,500,000
Nomura Securities International, Inc.	2,750,000
Barclays Capital Inc.	1,650,000
Standard Chartered Bank	550,000
DBS Bank Ltd	550,000
Total	$550,000,000

The initial purchasers have advised us that they propose initially to offer the notes at the offering price listed on the cover page of this offering circular. After the initial offering, the price to investors may be changed. The initial purchasers have agreed to purchase the notes from us at a purchase price that reflects a discount from the offering price, and the initial purchasers will retain the difference between such purchase price and offering price as compensation.

The initial purchasers are entitled to be released and discharged from their obligations under, and to terminate, the purchase agreement in certain circumstances prior to paying us for the notes. If an initial purchaser defaults, the purchase agreement provides that the purchase commitments of the non-defaulting initial purchasers may be increased. The initial purchasers are offering the notes subject to their acceptance of the notes from us and subject to prior sale. The purchase agreement provides that the obligations of the several initial purchasers to pay for and accept delivery of the notes are subject to approval of certain legal matters by their counsel and to certain other conditions. Subject to the terms and conditions set forth in the purchase agreement, the initial purchasers have agreed, severally and not jointly, to purchase all of the notes sold under the purchase agreement if any of these notes are purchased.

The purchase agreement provides that we will indemnify the initial purchasers and their affiliates against specified liabilities, in connection with the offer and sale of the notes, and will contribute to payments the initial purchasers and their affiliates may be required to make in respect of those liabilities.

The notes are being offered and sold (i) by the initial purchasers or the affiliates of certain of the initial purchasers directly or indirectly to non-U.S. persons in offshore transactions outside the United States and Japan in accordance with Rule 903 of Regulation S under the Securities Act, and (ii) in the United States by the initial purchasers or U.S. broker-dealer affiliates of the initial purchasers in the United States to institutions that are QIBs, as defined in Rule 144A, and, in each case, in accordance with applicable laws.

Price Stabilization

In connection with the issue and offering of the notes, Morgan Stanley & Co. LLC, or the stabilization manager (or persons acting on behalf of the stabilization manager), may over-allot or effect transactions with a view to supporting the market price of the notes at levels higher than those which might otherwise prevail. However, stabilization action may not necessarily occur. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the notes and 60 days after the date of the allotment of the notes. Such stabilization action or over-allotment shall be conducted in accordance with all applicable laws and rules.

No Sale of Similar Securities

We have agreed that, during a period of 30 days from the date of this offering circular, we will not, without the prior written consent of the representative of the initial purchasers, directly or indirectly, issue, sell, offer or agree to sell, or otherwise dispose of, any other U.S. dollar-denominated or Euro-denominated debt securities or securities exchangeable for or convertible into debt similar to the notes (other than as contemplated by the purchase agreement with respect to the notes).

New Issues of the Notes

The notes are new issues of securities with no established trading market. In addition, the notes are subject to certain restrictions on resale and transfer as described under "Transfer Restrictions". Approval in-principle has been obtained from the Singapore Exchange for the listing and quotation of the notes on the Official List of the Singapore Exchange. Under the rules of the Singapore Exchange, the notes if traded on the Singapore Exchange, are required to be traded in a minimum board lot size of S$200,000 (or its equivalent in foreign currencies). Accordingly, for so long as the notes are listed on the Singapore Exchange and the rules of the Singapore Exchange so require, the notes if traded on the Singapore Exchange, will be traded in a minimum board lot size of $200,000. Certain of the initial purchasers have advised us that they presently intend to make a market in the notes after completion of this offering. Such market-making activity will be subject to the limits imposed by applicable laws. However, they are under no obligation to do so and may discontinue any market-making activities at any time without any notice. A liquid or active public trading market for any of the notes may not develop. If an active trading market for the notes does not develop, the market price and liquidity of the notes may be adversely affected. If such notes are traded, they may trade at a discount from the initial offering price, depending on the market for similar securities, our performance and other factors. See "Risk Factors—Risks Relating to the Notes—The market for the notes may have limited liquidity."

Selling Restrictions

General

No action has been or will be taken by us that would permit a public offering of the notes, or possession or distribution of this offering circular, any amendment or supplement thereto, or any other offering or publicity material relating to the notes in any country or jurisdiction where, or in any circumstances in which, action for that purpose is required. Accordingly, the notes may not be offered or sold, directly or indirectly, and neither this offering circular nor any other offering or publicity material relating to the notes may be distributed or published, in or from any country or jurisdiction except under circumstances that will result in compliance with applicable laws and regulations.

United States

The notes offered by this offering circular have not been and will not be registered under the Securities Act and may not be offered or sold within the United States (as defined in Regulation S), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The initial purchasers or U.S. affiliates of the initial purchasers may arrange for the sale of a portion of the notes in the United States exclusively to persons reasonably believed by them to be qualified institutional buyers (as defined in Rule 144A) in reliance on the exemption from registration provided by Rule 144A. Each United States purchaser of notes is hereby notified that the offer and sale of notes to it is being made in reliance upon such exemption. The offering of the notes outside the United States will be made in compliance with Regulation S.

In addition, until 40 days after the commencement of the offering, an offer or sale of notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than pursuant to Rule 144A or pursuant to another exemption from registration under the Securities Act.

Japan

The notes have not been and will not be registered under the FIEA, and are subject to the Special Taxation Measures Act. Each initial purchaser has represented and agreed that (i) it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell, any notes in Japan or to, or for the benefit of, any resident in Japan for Japanese securities law purposes (including any corporation or other entity organized under the laws of Japan), or to others for reoffering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and governmental guidelines of Japan, and

(ii) it has not, directly or indirectly, offered or sold and will not, as part of its distribution under the purchase agreement relating to the notes, at any time, directly or indirectly, offer or sell any of the notes to, or for the benefit of, any person other than a beneficial owner that is, (a) for Japanese tax purposes, neither (x) an individual resident of Japan or a Japanese corporation, nor (y) an individual non-resident of Japan or a non-Japanese corporation that in either case is a specially-related person of the issuer (excluding an underwriter designated in Article 6, Paragraph (12), item 1 of the Special Taxation Measures Act which purchases unsubscribed portions of the notes from the other underwriters) or (b) a Japanese financial institution or a Japanese financial instruments business operator, designated in Article 3-2-2, paragraph (29) of the Cabinet Order.

Prohibition of Sales to EEA Retail Investors

The notes which are the subject of the offering contemplated by this offering circular, as supplemented by any applicable supplement or pricing term sheet in relation thereto, have not been offered, sold or otherwise made available and will not be offered, sold or otherwise made available to any retail investor in the EEA. For the purposes of this provision:

(a) the expression "retail investor" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or

(ii) a customer within the meaning of the Insurance Distribution Directive where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Information to EU Distributors

Solely for the purposes of the manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (for the purposes of this paragraph, an "EU distributor") should take into consideration the manufacturers' target market assessment; however, an EU distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

United Kingdom

The notes which are the subject of the offering contemplated by this offering circular, as supplemented by any applicable supplement or pricing term sheet in relation thereto, have not been offered, sold or otherwise made available and will not be offered, sold or otherwise made available to any retail investor in the UK. For the purposes of this provision:

(a) the expression "retail investor" means a person who is one (or more) of the following:

(i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or

(ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA.

Each initial purchaser has represented and agreed that:

(i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the notes in circumstances in which Section 21(1) of the FSMA does not apply to us; and

(ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the notes in, from or otherwise involving the UK.

Hong Kong

The contents of this offering circular have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer and this offering circular. If you are in any doubt about any of the contents of this offering circular, you should obtain independent professional advice.

The notes have not been offered or sold and will not be offered or sold in Hong Kong, by means of any documents, other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO"), and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong) (the "C(WUMP)O") or which do not constitute an offer to the public within the meaning of the C(WUMP)O.

No advertisement, invitation or document relating to the notes has been, will be or may be issued or has been, will be or may be in the possession of any person for the purposes of issue, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Singapore

This offering circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act 2001 of Singapore (as modified or amended from time to time) (the "SFA"). This offering circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the notes may not be circulated or distributed, nor may the notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.

Any reference to the SFA is a reference to the Securities and Futures Act 2001 of Singapore and a reference to any term as defined in the SFA or any provision in the SFA is a reference to that term or provision as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

By accepting this offering circular and (where applicable) the notes, the person into whose possession this offering circular comes agrees to be bound by the limitations and restrictions set out above.

Switzerland

The notes may not be publicly offered, sold or marketed, directly or indirectly, in or into Switzerland within the meaning of the Swiss Financial Services Act ("FinSA"), except to investors that qualify as professional clients within the meaning of the FinSA. Neither this offering circular nor any other offering or marketing material relating to the notes constitutes a prospectus pursuant to the FinSA, and neither this offering circular nor any other offering or marketing material relating to the notes may be distributed or otherwise made available in Switzerland, except to investors that qualify as professional clients within the meaning of the FinSA.

Canada

The notes may be sold in Canada only to purchasers purchasing, or deemed to be purchasing, as principal that are both accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable Canadian securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this offering circular (including any amendment thereto) contains a

misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts, NI 33-105, the initial purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Stamp Taxes and Other Charges

Purchasers of the notes offered by this offering circular may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase in addition to the offering price on the cover page of this offering circular.

Other Relationships

The initial purchasers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. Certain of the initial purchasers and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for us or our subsidiaries and affiliates, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the initial purchasers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities), financial instruments (including bank loans), currencies and commodities for their own account (including purchasing the notes for their own account) and for the accounts of their customers, and such investment and securities activities may involve securities, instruments or assets of ours or related to our business. If any of the initial purchasers or their affiliates has a lending relationship with us, certain of those initial purchasers or their affiliates routinely hedge, and certain other of those initial purchasers or their affiliates may hedge, their credit exposure to us consistent with their customary risk management policies. Typically, these initial purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the notes offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of the notes offered hereby. The initial purchasers and their respective affiliates may also make investment recommendations and may publish or express independent research views in respect of such securities or instruments or in respect of assets, currencies or commodities that may be related to our business, and may at any time hold, or recommend to clients that they acquire, long or short positions in such securities, instruments, currencies or commodities.

Certain affiliates of Mizuho Securities USA LLC, Goldman Sachs & Co. LLC and SMBC Nikko Securities America, Inc., each of whom are acting as initial purchasers, hold a portion of the subordinated notes which will be redeemed or repurchased with the proceeds from the sale of the notes.

We have business alliances with Mizuho Financial Group, Inc., Mizuho Securities Co., Ltd. and other subsidiaries of Mizuho Financial Group, Inc., which are affiliates of Mizuho Securities USA LLC. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Recent Developments—Strategic Alliance between Rakuten Card and Mizuho Financial Group and Business Alliance Among Rakuten Group, Rakuten Card, Mizuho Financial Group, Mizuho Bank, UC Card and Orient Corporation to Transform Digital Payments in Japan." and "Business—Our Business Operations—FinTech Segment—Online Securities Business—Strategic Alliance between *Rakuten Securities Holdings* and Mizuho Securities."

Mizuho Bank, Ltd. is one of our principal bank lenders and is an affiliate of Mizuho Securities USA LLC, an initial purchaser in respect of the offering of the notes. Sumitomo Mitsui Banking Corporation is one of our principal bank lenders and is an affiliate of SMBC Nikko Securities America, Inc., an initial purchaser in respect of the offering of the notes.

Settlement

We expect delivery of the notes will be made against payment therefor on or about December 13, 2024, New York City time, which will be the seventh New York business day following the date of this offering

circular (such settlement being referred to as "T+7"). Under Rule 15c6-1 under the Exchange Act, trades in the secondary market are required to settle in one business day, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade notes prior to the delivery of the notes hereunder may be required, by virtue of the fact that the notes initially settle in T+7, to specify an alternate settlement arrangement at the time of any such trade to prevent a failed settlement. Purchasers of the notes who wish to trade the notes prior to their date of delivery hereunder should consult their advisors.

LEGAL MATTERS

Certain Japanese legal matters will be passed upon for us by Nishimura & Asahi (Gaikokuho Kyodo Jigyo). The validity of the notes and certain U.S. legal matters will be passed upon for us by Sullivan & Cromwell LLP and for the initial purchasers by Davis Polk & Wardwell LLP, in each case in respect of New York state and U.S. federal securities law.

INDEPENDENT AUDITOR

Our consolidated financial statements as of and for the years ended December 31, 2023 and 2022 (including comparative information thereto) included in this offering circular have been audited by Ernst & Young ShinNihon LLC, an independent auditor, as stated in their reports appearing herein.

With respect to our unaudited condensed quarterly consolidated financial statements as of and for the three-month and nine-month periods ended September 30, 2024 prepared in accordance with Article 5, Paragraph 2 of the Standards, applying the provisions for reduced disclosures as set forth in Article 5, Paragraph 5 of the Standards (including comparative information thereto), included in this offering circular, Ernst & Young ShinNihon LLC has applied limited procedures in accordance with quarterly review standards generally accepted in Japan. However, their report with respect thereto, included herein, states that a review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in Japan. Therefore, they did not audit and they did not express an opinion on these unaudited condensed quarterly consolidated financial statements. Accordingly, the degree of reliance on their report on such financial statements should be restricted in light of the limited nature of the review procedures applied.

LISTING

Approval in-principle has been obtained from the Singapore Exchange for the listing and quotation of the notes on the Official List of the Singapore Exchange. For so long as the notes are listed on the Singapore Exchange and the rules of the Singapore Exchange so require, in the event that the global note representing such notes is exchanged for definitive notes in certificated form, we will appoint and maintain a paying agent in Singapore, where the definitive notes in respect of such notes may be presented or surrendered for payment or redemption. In addition, in the event that the global note is exchanged for definitive notes in certificated form, an announcement of such exchange will be made by us or on our behalf through the Singapore Exchange and such announcement will include all material information with respect to the delivery of the definitive notes in certificated form, including details of the paying agent in Singapore.

Under the rules of the Singapore Exchange, the notes if traded on the Singapore Exchange, are required to be traded in a minimum board lot size of S$200,000 (or its equivalent in foreign currencies). Accordingly, for so long as the notes are listed on the Singapore Exchange and the rules of the Singapore Exchange so require, the notes if traded on the Singapore Exchange, will be traded in a minimum board lot size of $200,000.

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Note to Investors

This offering circular does not represent "Other Information" as described in the independent auditor's report.

The Board of Directors
Rakuten Group, Inc.

Opinion

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).

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 indications of impairment. The business plan is</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 performing historical trend analysis.

• We compared the key assumptions that were used in formulating business plans in prior fiscal years</td></tr>
</table>

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.	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, 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.	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 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 disclosure document that contains audited consolidated financial statements but does not include the consolidated financial statements and our auditor's report thereon.

We have concluded that the other information does not exist. Accordingly, we have not performed any work related to the other information.

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.

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.

Ernst & Young ShinNihon LLC
Tokyo, Japan

March 28, 2024

/s/ Takeshi Saida

Takeshi Saida

Designated Engagement Partner
Certified Public Accountant

/s/ Isamu Ando

Isamu Ando

Designated Engagement Partner
Certified Public Accountant

/s/ Mitsutaka Kumagai

Mitsutaka Kumagai

Designated Engagement Partner
Certified Public Accountant

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

(Millions of Yen)

	Note	As of December 31, 2022	As of December 31, 2023
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)

	Items before the changes	Amount	Items after the changes	Amount
Items that will not be reclassified to net income	Gains and losses on equity instruments measured at fair value through other comprehensive income	(8,560)	Changes in equity instruments measured at fair value through other comprehensive income	(6,004)
	Income tax effect of gains and losses on equity instruments measured at fair value through other comprehensive income	2,556		
	Remeasurement of defined benefit plans	2,503	Remeasurement of defined benefit plans	1,745
	Income tax effect of remeasurement of defined benefit plans	(758)		
Items that may be reclassified to net income	Foreign currency translation adjustments	90,709	Foreign currency translation adjustments	87,141
	Reclassification of foreign currency translation adjustments due to disposal of foreign operating businesses	(3,568)		
	Gains and losses on debt instruments measured at fair value through other comprehensive income	(23,740)	Changes in debt instruments measured at fair value through other comprehensive income	(16,971)
	Allowance for doubtful debts on debt instruments measured at fair value through other comprehensive income	15		
	Losses on debt instruments measured at fair value through other comprehensive income reclassified from other comprehensive income to net income	(6)		
	Income tax effect of gains or losses on debt instruments measured at fair value through other comprehensive income	6,760		
	Gains on cash flow hedges recognized in other comprehensive income	5,039	Cash flow hedges	(2,788)
	Income tax effect of gains or losses on cash flow hedges recognized in other comprehensive income	(1,652)		
	Losses on cash flow hedges reclassified from other comprehensive income to net income	(8,762)		
	Income tax effect of gains or losses on cash flow hedges reclassified from other comprehensive income to net income	2,587		

(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)

Items before the changes	Amount	Items after the changes	Amount
Increase in common stock due to "Issuance of shares with the exercise of share options"	4,387	Increase in common stock due to "Exercise of share acquisition rights"	4,387
Decrease in capital surplus due to "Issuance of shares with the exercise of share options"	(4,387)	Decrease in capital surplus due to "Exercise of share acquisition rights"	(4,387)
Increase in capital surplus due to "Issuance of share acquisition rights"	13,359	Increase in capital surplus due to "Share based compensation expenses"	13,173
Decrease in capital surplus due to "Forfeiture of share acquisition rights"	(186)		
Increase in retained earnings due to "Forfeiture of share acquisition rights"	186	Increase in retained earnings due to "Share based compensation expenses"	186
Increase in capital surplus due to "Changes in ownership interests in subsidiaries"	33,634	Increase in capital surplus due to "Equity transactions with non-controlling interests"	33,030
Decrease in capital surplus due to "Acquisition and disposal of non-controlling interests"	(604)		
Increase in non-controlling interests due to "Issuance of shares"	3,361	Increase in non-controlling interests due to "Equity transactions with non-controlling interests"	36,568
Increase in non-controlling interests due to "Changes in ownership interests in subsidiaries"	31,813		
Increase in non-controlling interests due to "Acquisition and disposal of non-controlling interests"	1,394		
Decrease in retained earnings due to "Others" under "Contributions by and distributions to owners"	(239)	Decrease in retained earnings due to "Others" under "Transactions with owners etc."	(542)
Decrease in retained earnings due to "Others" under "Changes in ownership interests in subsidiaries"	(302)		
Decrease in other components of equity due to "Others" under "Changes in ownership interests in subsidiaries"	(218)	Decrease in other components of equity due to "Others" under "Transactions with owners etc."	(218)
Decrease in non-controlling interests due to "Others" under "Changes in ownership interests in subsidiaries"	(177)	Decrease in non-controlling interests due to "Others" under "Transactions with owners etc."	(177)

(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					
	Notional principal amount by due date			Fair value		Average rate
	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					
	Notional principal amount by due date			Fair value		Average rate
	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

(Millions of Yen)

Name	Type	Interest rate	As of December 31, 2022	As of December 31, 2023
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

(Millions of Yen)

Name	Type	Interest rate	As of December 31, 2022	As of December 31, 2023
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)	—

(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
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:

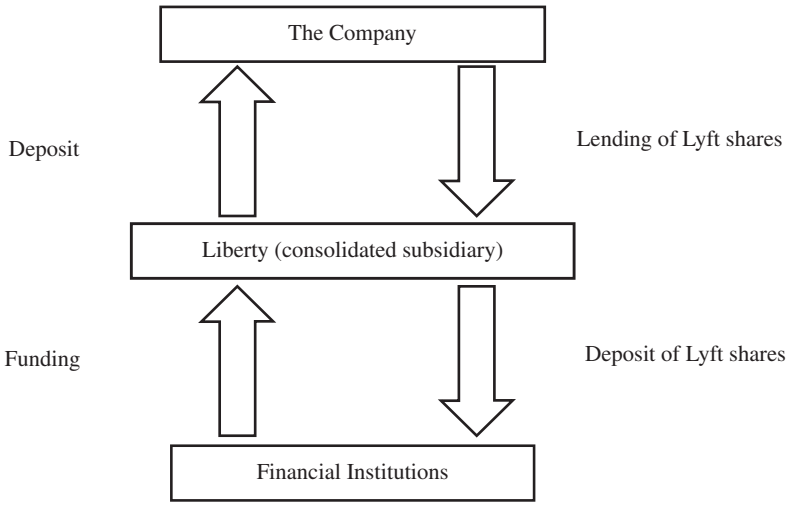
(Millions of Yen)

	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				
			CSM					CSM		
	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Contracts under modified retrospective transition approach	Other contracts	Total	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Contracts under modified retrospective transition approach	Other contracts	Total
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
1 year	0.03%	(0.08)%	(0.03)%	0.06%
5 year	0.27%	0.18%	0.23%	0.44%
10 year	0.56%	0.51%	0.66%	0.84%
15 year	1.07%	0.99%	1.12%	1.14%
20 year	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 adjustments	Financial instruments measured at fair value through other comprehensive income	Cash flow hedges	Remeasurement 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	Remeasurement 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 adjustments	Financial instruments measured at fair value through other comprehensive income	Cash flow hedges	Remeasurement 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	Remeasurement 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

Name	Grant date	Vesting date	Exercise price (Yen)	Balance of outstanding options (Note)	Exercise period
The 17th Share Acquisition Rights_01	March 1, 2013	March 29, 2016	0.01	—	From March 30, 2016 To March 28, 2022
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
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

Name	Grant date	Vesting date	Exercise price (Yen)	Balance of outstanding options (Note)	Exercise period
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
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

Name	Grant date	Vesting date	Exercise price (Yen)	Balance of outstanding options (Note)	Exercise period
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
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
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

Name	Grant date	Vesting date	Exercise price (Yen)	Balance of outstanding options (Note)	Exercise period
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
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

Name	Grant date	Vesting date	Exercise price (Yen)	Balance of outstanding options (Note)	Exercise period
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
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
The 67th Share Acquisition Rights_04	February 1, 2018	January 31, 2022	0.01	230,600	From February 1, 2022 To February 1, 2028

Name	Grant date	Vesting date	Exercise price (Yen)	Balance of outstanding options (Note)	Exercise period
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
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

Name	Grant date	Vesting date	Exercise price (Yen)	Balance of outstanding options (Note)	Exercise period
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
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

Name	Grant date	Vesting date	Exercise price (Yen)	Balance of outstanding options (Note)	Exercise period
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
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
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

Name	Grant date	Vesting date	Exercise price (Yen)	Balance of outstanding options (Note)	Exercise period
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
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

Name	Grant date	Vesting date	Exercise price (Yen)	Balance of outstanding options (Note)	Exercise period
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
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

Name	Grant date	Vesting date	Exercise price (Yen)	Balance of outstanding options (Note)	Exercise period
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
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
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

Name	Grant date	Vesting date	Exercise price (Yen)	Balance of outstanding options (Note)	Exercise period
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
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

Name	Grant date	Vesting date	Exercise price (Yen)	Balance of outstanding options (Note)	Exercise period
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
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

Name	Grant date	Vesting date	Exercise price (Yen)	Balance of outstanding options (Note)	Exercise period
The 112th Share Acquisition Rights_04	March 1, 2023	February 28, 2027	0.01	304,300	From March 1, 2027 To March 1, 2033
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
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

Name	Grant date	Vesting date	Exercise price (Yen)	Balance of outstanding options (Note)	Exercise period
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
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 subject to mandatory measurement at fair value	Financial liabilities designated as being measured at fair value	Financial liabilities measured at amortized cost	Total
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)

		Lifetime expected credit loss			
	12-months expected credit losses	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	Total
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)

		Lifetime expected credit loss			
	12-months expected credit losses	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	Total
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					
	12-months expected credit losses	Financial assets with credit risk which has significantly increased since initial recognition	Financial assets impaired	Total	Allowance for doubtful accounts (Note)	Maximum credit risk exposure
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					
	12-months expected credit losses	Financial assets with credit risk which has significantly increased since initial recognition	Financial assets impaired	Total	Allowance for doubtful accounts (Note)	Maximum credit risk exposure
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)

The Board of Directors
Rakuten Group, Inc.

Opinion

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, 2022, 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, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

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.

Emphasis of Matter

We draw attention to *Note 53 Subsequent Events* to the consolidated financial statements, which describes that the common stock of Rakuten Bank, Ltd. (hereinafter "Rakuten Bank"), a subsidiary of Rakuten Group, Inc. (the Company), was listed on the Tokyo Stock Exchange Prime Market on April 21, 2023. In connection with the listing of Rakuten Bank, the Company sold a portion of the Rakuten Bank shares owned by the Company. In addition, Rakuten Bank has newly issued shares through a public offering. Our opinion is not modified in respect of this matter.

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.

Assessment of indications of impairment of property, plant and equipment and intangible assets of Rakuten Mobile, Inc.	
Description of Key Audit Matter	Auditor's Response
As of December 31, 2022, the Group recorded property, plant and equipment and intangible assets of ¥2,236,487 million in its consolidated statement of financial position, which represents 10.9% of consolidated total assets. This included ¥1,134,671 million recorded by Rakuten Mobile, Inc., which corresponds to approximately 6% 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	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 identification of any indication 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

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 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 this matter as a key audit matter.	in consideration of the 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 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.

Recoverability of deferred tax assets of Rakuten Mobile, Inc. related to the Japanese Group Relief System	
Description of Key Audit Matter	Auditor's Response
As of December 31, 2022, the Group recorded deferred tax assets of ¥281,950 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 consolidated taxation system in Japan and since the Japanese Group Relief System replaces the consolidated taxation system in the next fiscal year, deferred tax assets are recognized on the basis of application of the Japanese Group Relief System. The Group recorded deferred tax assets on the tax losses carried forward of ¥220,968 million, most of which 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, 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, the assessment of the recoverability of deferred tax assets, including comparison with actual results, requires management to exercise judgment, we have determined that the recoverability of deferred tax assets of Rakuten Mobile, Inc. is a key audit matter.	We assessed the recoverability of deferred tax 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 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 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.

- 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 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, related safeguards.

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.

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.

Other Information

The other information comprises the information included in the disclosure document that contains audited consolidated financial statements but does not include the consolidated financial statements and our auditor's report thereon.

We have concluded that the other information does not exist. Accordingly, we have not performed any work related to the other information.

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.

Ernst & Young ShinNihon LLC
Tokyo, Japan

May 12, 2023

/s/ Takeshi Saida

Takeshi Saida

Designated Engagement Partner
Certified Public Accountant

/s/ Isamu Ando

Isamu Ando

Designated Engagement Partner
Certified Public Accountant

/s/ Kenji Kuroki

Kenji Kuroki

Designated Engagement Partner
Certified Public Accountant

1. Consolidated Financial Statements

(1) Consolidated Financial Statements

1) Consolidated Statement of Financial Position

(Millions of Yen)

	Note	December 31, 2021	December 31, 2022
Assets			
Cash and cash equivalents	5	¥4,410,301	¥4,694,360
Accounts receivable — trade	6, 15	307,821	364,186
Financial assets for securities business	7, 15	3,088,544	3,430,776
Loans for credit card business	8, 15	2,388,448	2,776,044
Investment securities for banking business	9, 15	459,104	916,651
Loans for banking business	10, 15	2,528,795	3,507,559
Investment securities for insurance business	11, 15	290,455	269,867
Derivative assets	12	45,056	181,106
Investment securities	13	281,179	161,071
Other financial assets	14, 15	642,650	1,213,937
Investments in associates and joint ventures	16	68,991	77,541
Property, plant and equipment	17	975,362	1,262,115
Intangible assets	18	858,997	974,372
Deferred tax assets	30	225,100	281,950
Other assets		260,418	325,763
Total assets		16,831,221	20,437,298
Liabilities			
Accounts payable — trade		392,455	450,562
Deposits for banking business	19	6,848,370	8,419,097
Financial liabilities for securities business	20	3,032,996	3,494,467
Derivative liabilities	12	24,825	35,727
Bonds and borrowings	21	1,355,255	1,760,781
Borrowings for securities business	22	207,505	157,542
Bonds and borrowings for credit card business	23	733,852	812,738
Borrowings for banking business	24	1,106,300	2,181,689
Other financial liabilities	26	1,415,368	1,627,300
Income taxes payable		13,499	18,139
Provisions	27	198,263	242,909
Insurance business policy reserves	28	247,911	200,545
Employee retirement benefit liabilities	29	29,752	34,743
Deferred tax liabilities	30	2,488	4,709
Other liabilities		105,092	125,260
Total liabilities		15,713,931	19,566,208

(Millions of Yen)

	Note	December 31, 2021	December 31, 2022
Equity			
Equity attributable to owners of the Company			
Common stock	31	289,674	294,061
Capital surplus	31	311,970	353,786
Other equity instruments	31	317,316	317,316
Retained earnings	31	142,671	(253,961)
Treasury stock	31	(0)	(0)
Other components of equity		32,088	102,528
Total equity attributable to owners of the Company		1,093,719	813,730
Non-controlling interests		23,571	57,360
Total equity		1,117,290	871,090
Total liabilities and equity		16,831,221	20,437,298

2) Consolidated Statement of Income

(Millions of Yen)

	Note	Year ended December 31, 2021	Year ended December 31, 2022
Continuing operations			
Revenue	32, 43	¥1,681,757	¥1,927,878
Operating expenses	33, 43	1,966,419	2,254,118
Other income	34, 43	108,037	8,383
Other expenses	34, 43	18,101	46,035
Operating loss		(194,726)	(363,892)
Financial income	35, 43	18,904	115,432
Financial expenses	35, 43	38,642	156,886
Share of income (losses) of investments in associates and joint ventures	16	1,834	(2,548)
Loss before income tax		(212,630)	(407,894)
Income tax benefit	30	(76,804)	(31,983)
Net loss		(135,826)	(375,911)
Net loss attributable to:			
Owners of the Company		(133,828)	(372,884)
Non-controlling interests		(1,998)	(3,027)
Net loss		(135,826)	(375,911)

(Yen)

Losses per share attributable to owners of the Company:			
Basic	36	¥(87.62)	¥(235.00)
Diluted	36	(87.62)	(235.16)

3) Consolidated Statement of Comprehensive Income

(Millions of Yen)

	Note	Year ended December 31, 2021	Year ended December 31, 2022
Net loss		¥(135,826)	¥(375,911)
Other comprehensive income			
Items that will not be reclassified to net income:			
Gains and losses on equity instruments measured at fair value through other comprehensive income	43	(5,331)	(8,560)
Income tax effect of gains and losses on equity instruments measured at fair value through other comprehensive income	30, 43	1,105	2,556
Remeasurement of insurance business policy reserves based on current market interest rates	28	577	2,970
Income tax effect of remeasurement of insurance business policy reserves based on current market interest rates	28, 30	(193)	(1,076)
Remeasurement of defined benefit plans	29	(1,836)	2,503
Income tax effect of remeasurement of defined benefit plans	29, 30	540	(758)
Other comprehensive income of investments in associates and joint ventures	16	163	82
Total items that will not be reclassified to net income		(4,975)	(2,283)
Items that may be reclassified to net income:			
Foreign currency translation adjustments		66,681	90,709
Reclassification of foreign currency translation adjustments due to disposal of foreign operating businesses		(753)	(3,568)
Gains and losses on debt instruments measured at fair value through other comprehensive income	43	(1,868)	(23,740)
Allowances for doubtful debts on debt instruments measured at fair value through other comprehensive income	43	(7)	15
Losses on debt instruments measured at fair value through other comprehensive income reclassified from other comprehensive income to net income	43	(246)	(6)
Income tax effect of gains or losses on debt instruments measured at fair value through other comprehensive income	30, 43	561	6,760
Gains on cash flow hedges recognized in other comprehensive income	38, 43	6,027	5,039
Income tax effect of gains or losses on cash flow hedges recognized in other comprehensive income	30, 38	(1,841)	(1,652)
Losses on cash flow hedges reclassified from other comprehensive income to net income	38, 43	(7,767)	(8,762)
Income tax effect of gains or losses on cash flow hedges reclassified from other comprehensive income to net income	30, 38	2,385	2,587
Other comprehensive income of investments in associates and joint ventures	16	4,993	4,836
Losses on other comprehensive income of investments in associates and joint ventures reclassified from other comprehensive income to net income	16	(405)	—
Total items that may be reclassified to net income		67,760	72,218
Total other comprehensive income, net of tax		62,785	69,935
Comprehensive income		(73,041)	(305,976)
Comprehensive income attributable to:			
Owners of the Company		(73,417)	(303,374)
Non-controlling interests		376	(2,602)
Comprehensive income		(73,041)	(305,976)

4) Consolidated Statement of Changes in Equity

(Millions of Yen)

	Note	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
							Foreign currency translation adjustments	Financial instruments measured at fair value through other comprehensive income	Cash flow hedges	Remeasurement of insurance business policy reserves based on current market interest rates	Remeasurement of retirement benefit plans	Total other components of equity			
As of January 1, 2021		¥205,924	¥227,844	–	¥290,449	¥(84,941)	¥(22,698)	¥(1,230)	¥939	¥(5,626)	¥(1,923)	¥(30,538)	¥608,738	¥20,276	¥629,014
Comprehensive income															
Net loss		–	–	–	(133,828)	–	–	–	–	–	–	–	(133,828)	(1,998)	(135,826)
Other comprehensive income, net of tax		–	–	–	–	–	68,023	(5,651)	(1,196)	383	(1,148)	60,411	60,411	2,374	62,785
Total comprehensive income		–	–	–	(133,828)	–	68,023	(5,651)	(1,196)	383	(1,148)	60,411	(73,417)	376	(73,041)
Transactions with owners etc.															
Contributions by and distributions to owners															
Issuance of shares	31	80,000	79,047	–	–	–	–	–	–	–	–	–	159,047	–	159,047
Issuance of other equity instruments	31	–	–	317,316	–	–	–	–	–	–	–	–	317,316	–	317,316
Cash dividends paid	31, 41	–	–	–	(6,131)	–	–	–	–	–	–	–	(6,131)	–	(6,131)
Distributions to owners of other equity instruments	31	–	–	–	(4,359)	–	–	–	–	–	–	–	(4,359)	–	(4,359)
Reclassified from other components of equity to retained earnings	42	–	–	–	(2,215)	–	–	2,215	–	–	–	2,215	–	–	–
Acquisition of treasury stock	31	–	–	–	–	(0)	–	–	–	–	–	–	(0)	–	(0)
Disposal of treasury stock	31	–	(2,412)	–	–	84,759	–	–	–	–	–	–	82,347	–	82,347
Issuance of shares with the exercise of share options	31	3,750	(3,750)	–	–	–	–	–	–	–	–	–	0	–	0
Disposal of treasury stock with the exercise of share options	31	–	(182)	–	–	182	–	–	–	–	–	–	–	–	–
Issuance of share acquisition rights	40	–	10,650	–	–	–	–	–	–	–	–	–	10,650	–	10,650
Forfeiture of share acquisition rights	40	–	(159)	–	159	–	–	–	–	–	–	–	–	–	–
Others		–	810	–	(1,404)	–	–	–	–	–	–	–	(594)	–	(594)
Total contributions by and distributions to owners		83,750	84,004	317,316	(13,950)	84,941	–	2,215	–	–	–	2,215	558,276	–	558,276
Changes in ownership interests in subsidiaries															
Issuance of shares		–	–	–	–	–	–	–	–	–	–	–	–	3,404	3,404
Changes in ownership interest in subsidiaries		–	–	–	–	–	–	–	–	–	–	–	–	–	–
Acquisition and disposal of non-controlling interests		–	122	–	–	–	–	–	–	–	–	–	122	(293)	(171)
Others		–	–	–	–	–	–	–	–	–	–	–	–	(192)	(192)
Total changes in ownership interests in subsidiaries		–	122	–	–	–	–	–	–	–	–	–	122	2,919	3,041
Total transactions with owners etc.		83,750	84,126	317,316	(13,950)	84,941	–	2,215	–	–	–	2,215	558,398	2,919	561,317
As of December 31, 2021		¥289,674	¥311,970	¥317,316	¥142,671	¥(0)	¥45,325	¥(4,666)	¥(257)	¥(5,243)	¥(3,071)	¥32,088	¥1,093,719	¥23,571	¥1,117,290

(Millions of Yen)

	Note	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
							Foreign currency translation adjustments	Financial instruments measured at fair value through other comprehensive income	Cash flow hedges	Remeasurement of insurance business policy reserves based on current market interest rates	Remeasurement of retirement benefit plans	Total other components of equity			
As of January 1, 2022		¥289,674	¥311,970	¥317,316	¥142,671	¥(0)	¥45,325	¥(4,666)	¥(257)	¥(5,243)	¥(3,071)	¥32,088	¥1,093,719	¥23,571	¥1,117,290
Comprehensive income															
Net loss		–	–	–	(372,884)	–	–	–	–	–	–	–	(372,884)	(3,027)	(375,911)
Other comprehensive income, net of tax		–	–	–	–	–	91,413	(22,838)	(2,787)	1,894	1,828	69,510	69,510	425	69,935
Total comprehensive income		–	–	–	(372,884)	–	91,413	(22,838)	(2,787)	1,894	1,828	69,510	(303,374)	(2,602)	(305,976)
Transactions with owners etc.															
Contributions by and distributions to owners															
Issuance of shares		–	–	–	–	–	–	–	–	–	–	–	–	–	–
Issuance of other equity instruments		–	–	–	–	–	–	–	–	–	–	–	–	–	–
Cash dividends paid	31, 41	–	–	–	(7,118)	–	–	–	–	–	–	–	(7,118)	–	(7,118)
Distributions to owners of other equity instruments	31	–	–	–	(15,127)	–	–	–	–	–	–	–	(15,127)	–	(15,127)
Reclassified from other components of equity to retained earnings	42	–	–	–	(1,148)	–	–	1,148	–	–	–	1,148	–	–	–
Acquisition of treasury stock	31	–	–	–	–	(0)	–	–	–	–	–	–	(0)	–	(0)
Disposal of treasury stock		–	–	–	–	–	–	–	–	–	–	–	–	–	–
Issuance of shares with the exercise of share options	31	4,387	(4,387)	–	–	–	–	–	–	–	–	–	0	–	0
Disposal of treasury stock with the exercise of share options		–	–	–	–	–	–	–	–	–	–	–	–	–	–
Issuance of share acquisition rights	40	–	13,359	–	–	–	–	–	–	–	–	–	13,359	–	13,359
Forfeiture of share acquisition rights	40	–	(186)	–	186	–	–	–	–	–	–	–	–	–	–
Others		–	–	–	(239)	–	–	–	–	–	–	–	(239)	–	(239)
Total contributions by and distributions to owners		4,387	8,786	–	(23,446)	(0)	–	1,148	–	–	–	1,148	(9,125)	–	(9,125)
Changes in ownership interests in subsidiaries															
Issuance of shares		–	–	–	–	–	–	–	–	–	–	–	–	3,361	3,361
Changes in ownership interest in subsidiaries	51	–	33,634	–	–	–	–	–	–	–	–	–	33,634	31,813	65,447
Acquisition and disposal of non-controlling interests		–	(604)	–	–	–	–	–	–	–	–	–	(604)	1,394	790
Others		–	(0)	–	(302)	–	(218)	–	–	–	–	(218)	(520)	(177)	(697)
Total changes in ownership interests in subsidiaries		–	33,030	–	(302)	–	(218)	–	–	–	–	(218)	32,510	36,391	68,901
Total transactions with owners etc.		4,387	41,816	–	(23,748)	(0)	(218)	1,148	–	–	–	930	23,385	36,391	59,776
As of December 31, 2022		¥294,061	¥353,786	¥317,316	¥(253,961)	¥(0)	¥136,520	¥(26,356)	¥(3,044)	¥(3,349)	¥(1,243)	¥102,528	¥813,730	¥57,360	¥871,090

5) Consolidated Statement of Cash Flows

(Millions of Yen)

	Note	Year ended December 31, 2021	Year ended December 31, 2022
Cash flows from operating activities			
Loss before income tax		¥(212,630)	¥(407,894)
Depreciation and amortization	33	197,353	266,118
Impairment loss	17, 18	4,239	10,948
Other loss (income)	34, 35	(73,183)	160,314
Decrease (Increase) in operating receivables		(47,558)	(32,249)
Decrease (Increase) in loans for credit card business		(354,240)	(387,316)
Increase (Decrease) in deposits for banking business		2,130,634	1,571,129
Net decrease (increase) in call loans for banking business		(5,122)	(6,805)
Decrease (Increase) in loans for banking business		(1,092,238)	(978,855)
Decrease (Increase) in receivables under securities borrowing transactions		(147,777)	(390,380)
Increase (Decrease) in operating payables		45,045	50,763
Decrease (Increase) in financial assets for securities business		(414,794)	(342,142)
Increase (Decrease) in financial liabilities for securities business		445,190	460,857
Increase and decrease in derivative assets and liabilities		(80,114)	(118,191)
Others		188,962	(89,771)
Income tax paid		(1,060)	(24,473)
Net cash flows from operating activities		582,707	(257,947)
Cash flows from investing activities			
Payments in time deposits		(9,856)	(12,093)
Proceeds from time deposits		9,180	10,421
Purchases of property, plant and equipment		(286,859)	(298,666)
Purchases of intangible assets		(123,782)	(140,747)
Acquisitions of subsidiaries	50	(42,974)	(25,221)
Acquisitions of investments in associates and joint ventures		(23,029)	(5,784)
Purchases of investment securities for banking business		(736,644)	(1,393,732)
Proceeds from sales and redemption of investment securities for banking business		544,075	915,955
Purchases of investment securities for insurance business		(65,781)	(43,271)
Proceeds from sales and redemption of investment securities for insurance business		77,166	53,154
Purchases of investment securities		(15,726)	(10,800)
Proceeds from sales and redemption of investment securities		61,042	11,861
Proceeds from sales and redemption of other financial assets		2,942	—
Other payments		(16,506)	(22,846)
Other proceeds		14,922	9,361
Net cash flows from investing activities		(611,830)	(952,408)

(Millions of Yen)

	Note	Year ended December 31, 2021	Year ended December 31, 2022
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings	21	(12)	122,392
Net increase (decrease) in commercial papers	21	(6,000)	60,000
Proceeds from long-term borrowings	21	151,967	141,269
Repayments of long-term borrowings	21	(69,475)	(104,411)
Proceeds from issuance of bonds	21	295,598	215,023
Redemptions of bonds	21	(88,766)	(40,000)
Net increase (decrease) in short-term borrowings for securities business	22	(33,000)	(50,000)
Proceeds from long-term borrowings for securities business	22	18,488	—
Net increase (decrease) in short-term borrowings for credit card business	23	5,019	3,312
Net increase (decrease) in commercial papers for credit card business	23	—	29,900
Proceeds from long-term borrowings for credit card business	23	176,087	183,777
Repayments of long-term borrowings for credit card business	23	(137,926)	(168,186)
Proceeds from issuance of bonds for credit card business	23	59,723	49,718
Redemptions of bonds for credit card business	23	—	(20,000)
Net increase (decrease) in short-term borrowings for banking business	24	144,500	(480,110)
Proceeds from long-term borrowings for banking business	24	382,600	1,823,800
Repayments of long-term borrowings for banking business	24	—	(268,200)
Proceeds from issuance of shares	31	159,047	0
Proceeds from issuance of other equity instruments	31	315,708	—
Distributions to owners of other equity instruments	31	(4,129)	(14,251)
Proceeds from disposal of treasury stock	31	82,347	—
Proceeds from sale of shares of subsidiaries not resulting in change in scope of consolidation	51	—	80,000
Repayments of lease liabilities	25, 46	(44,787)	(57,774)
Cash dividends paid	41	(6,131)	(7,118)
Others		1,407	(12,457)
Net cash flows from financing activities		1,402,265	1,486,684
Effect of change in exchange rates on cash and cash equivalents		15,853	7,730
Net increase (decrease) in cash and cash equivalents		1,388,995	284,059
Cash and cash equivalents at the beginning of the year	5	3,021,306	4,410,301
Cash and cash equivalents at the end of the year	5	4,410,301	4,694,360

[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 "Group Companies") are organized into three reportable segments: "Internet Services", "FinTech", and "Mobile."

Each of these segments is also an operating segment and has available financial information, which is separate from the Group Companies' business units and is individually subject to review by the Board of Directors on a regular basis, for purposes of making decisions about allocation of management resources and evaluating business results.

The "Internet Services" segment comprises businesses providing various e-commerce sites including an internet shopping mall Rakuten Ichiba, online cashback sites, travel booking sites and portal sites, operation of digital content sites in North America, and provision of messaging services, along with advertising businesses on abovementioned sites, and management businesses of professional sports teams.

The "FinTech" segment engages in businesses providing services over the internet related to banking and securities, credit cards, life insurance, general insurance, and electronic money.

The "Mobile" segment is comprised of businesses providing communication services and technologies, and operating digital content sites in regions other than North America.

(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 May 12, 2023. Refer to Note 53. Subsequent Events for details of material events which occurred subsequent to the date of the Japanese language Consolidated Financial Statements, which required adjustment of the reported amounts or additional disclosures in these English language Consolidated Financial Statements.

(3) Significant Changes in the Scope of Consolidation and the Scope of Equity Method Application

Rakuten Symphony, Inc. has been included in the scope of consolidation due to its establishment during the first quarter ended March 31, 2022 through an incorporation-type company split.

Also, Robin Systems, Inc. has been included in the scope of consolidation due to the additional acquisition of its shares during the second quarter ended June 30, 2022.

Furthermore, Rakuten Securities Holdings, Inc. has been included in the scope of consolidation due to its establishment during the fourth quarter ended December 31, 2022 through a share transfer.

(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 jurisdiction 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, 2022, 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.

IFRS		Mandatory adoption (effective date)	Adoption by the Group Companies (reporting period ended)	Description
IFRS 17	Insurance contracts	January 1, 2023	January 1, 2023	Revision of accounting of insurance contracts
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 special covenants

IFRS 17 "Insurance contracts" (hereinafter "IFRS 17") is a comprehensive accounting standard for insurance and reinsurance contracts. IFRS 17 introduces a model to measure a group of contracts as the sum of the present value of future cash flows expected to be generated by the Group Companies in fulfilling their insurance contracts, an explicit risk adjustment for non-financial risks, and the contractual service margin (CSM).

Under IFRS 17, insurance revenue in each reporting period represents the change in the liability for remaining coverage related to services rendered in the period and the allocation of premiums related to the recovery of insurance acquisition cash flows. The investment component is not included in insurance revenue or insurance service expenses.

The new accounting standard is mandatory adopted as of January 1, 2023, and relevant figures will be restated as of January 1, 2022, the transition date.

(Impact of the Application of the Accounting Standard, etc.)

The Rakuten Group applies the transitional treatment prescribed in IFRS 17, whereby the impact of the adoption of IFRS 17 on each item in the financial statements and on earnings per share is not disclosed.

2. Significant Accounting Policies

The Group Companies consistently apply 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 Group Companies. The Group Companies 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 Group Companies control another entity or not. Between the date of obtaining control and the date of losing control, the Consolidated Financial Statements of the Group Companies include the financial statements of each controlled subsidiary.

Changes in the ownership interest in a subsidiary are accounted for as equity transactions if the Group Companies retain 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 Group Companies are also eliminated. The financial statements of each subsidiary are adjusted, if necessary, to comply with the accounting policies of the Group Companies.

2) Associates and Joint Arrangements

Associates are entities over which the Group Companies have significant influence but do not have control over the financial and operating policies of such entities. Significant influence is presumed to exist when the Group Companies hold 20% to 50% of the voting power of another entity. The factors considered in determining whether or not the Group Companies have significant influence include representation on the board of directors. The existence of these factors can lead to the determination that the Group Companies have significant influence, even though the investment of the Group Companies is less than 20% of the voting power.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the activities that have significant influence on variable returns from the arrangements require the unanimous consent of the parties sharing control. Investments in a joint arrangement are classified as a joint operation or a joint venture depending upon the rights and obligations of the parties to the arrangement. A joint operation is a joint arrangement whereby parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Investments in associates and joint ventures are accounted for using the equity method, except for such cases as where they are classified as assets held for sale, etc. in accordance with IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” and accordingly accounted for in accordance with IFRS 5. The Group Companies’ share of the operating results of associates and joint ventures is adjusted to conform with the accounting policies of the Group Companies, and is reported in the Consolidated Statement of Income as “Share of income (losses) of investments in associates and joint ventures”. The Group Companies’ share of investees’ gains or losses resulting from intercompany transactions is eliminated on consolidation. Under the equity method of accounting, the investment of the Group Companies in associates and joint ventures are initially recorded at cost, and subsequently increased (or decreased) to reflect both the Group Companies’ share of the post-acquisition net income or loss and other movements included directly in equity of the associates and joint ventures.

Goodwill arising on the acquisition of associates or joint ventures is included in the carrying value of the investment, and the Group Companies carry out any impairment testing on the entire interest in an associate. The Group Companies assess whether there is any objective evidence that the investments in associates and joint ventures 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.

For investments in joint operations, the Group Companies recognize their share of the revenues, expenses, assets and liabilities of each joint operation.

Investments in some associates have been measured at fair value through profit or loss in accordance with the provisions applied to associates and joint ventures of IAS 28 "Investments in Associates and Joint Ventures".

(2) Business Combinations

The Group Companies use 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 Group Companies to the former owners of the acquiree and the equity interests issued by the Group Companies. The consideration transferred includes fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs incurred by the Group Companies, 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 Group Companies recognize 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.

The acquisition date is the date when control is transferred to the acquirer. Judgments may be required in determining the acquisition date and whether control is transferred from one party to another. In accordance with the recognition principles of IFRS 3 "Business Combinations", the identifiable assets, liabilities and contingent liabilities of the acquiree are based on their fair values at the acquisition date except for the following.

– Deferred tax assets or liabilities and liabilities (or assets) related to employee benefit arrangements are recognized and measured in accordance with IAS 12 "Income taxes" and IAS 19 "Employee benefits", respectively; and liabilities related to share-based payments are recognized and measured in accordance with IFRS 2 "Share-based Payment", and

– Non-current assets and operations classified as held for sale are measured in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

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 Group Companies report 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.

Exchange differences arising from translation of financial statements of foreign operations are recognized in other comprehensive income.

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, significant influence or joint control, 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 Group Companies recognize trade and other receivables at the time they arise. All other financial assets are recognized at the contract dates when the Group Companies become 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 Group Companies' 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 Group Companies make 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 Group Companies 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 "Gains (losses) on equity instruments 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 and published default rate. 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 and published default rates.

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 Group Companies directly write 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 Group Companies continue 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 Group Companies derecognize a financial asset when the contractual rights to the cash flows from the asset expire, or when the Group Companies transfer 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 Group Companies are accounted for separately.

2) Non-derivative Financial Liabilities

Debt securities issued by the Group Companies are initially recognized on the issue date. All other financial liabilities are recognized when the Group Companies become a party to the contractual provisions of the instruments.

The Group Companies derecognize financial liabilities when they are extinguished, i.e., when the obligation specified in the contract is discharged, cancelled or expired.

The Group Companies classify financial liabilities as accounts payable — trade, deposits for banking business, financial liabilities for securities business, bonds and borrowings 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.

To reduce differences substantially caused by measurement of assets or liabilities or recognition of income on different bases, some deposits for banking business are designated as financial liabilities at FVTPL. Any changes in fair value of these financial liabilities that are attributable to a change in own credit risk of the liabilities are included in other components of equity.

3) Derivatives

Derivatives Qualifying for Hedge Accounting

The Group Companies enter into derivative transactions to manage the risk of fair value fluctuations, interest rate risk and foreign currency risk. The primary derivatives used by the Group Companies are interest rate swaps, forward contracts, options, foreign exchange forward contracts, and currency swaps.

At the initial designation of the hedging relationship, the Group Companies document 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 Group Companies assess whether the Group Companies 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 “Gains (losses) on cash flow hedges recognized in other comprehensive income” 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 Group Companies hold 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, but 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 Group Companies' 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 Group Companies hold a currently enforceable legal right to set off the recognized amounts, and the Group Companies have 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 Group Companies measure 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

All property, plant and equipment 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 certain length 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. Property, plant and equipment are subsequently carried on the historical cost basis measured using the cost model.

Depreciation is calculated based on the depreciable amount. The depreciable amount is the cost of an asset less its residual value.

Depreciation of property, plant and equipment is mainly computed using the straight-line method based on the estimated useful life of each component. Right-of-use assets are depreciated over the shorter of the lease term and their useful lives if there is no reasonable certainty that the Group Companies will obtain ownership by the end of the lease term. Land is not depreciated.

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 4-42 years

The depreciation methods, useful lives and residual values are reviewed at the end of each reporting period, and revised if necessary.

(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 Group Companies incur 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 Group Companies intend and have 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) Other Intangible Assets

Other intangible assets with definite useful lives are based on cost less any accumulated amortization and accumulated impairment losses.

5) Amortization

Amortization is calculated based on the acquisition cost of an asset less its residual value. Within intangible assets that useful lives can be determined, the value of the insurance business, contracts and its customer relationships acquired through business combinations are amortized over the expected service period, based on the proportion of insurance revenue occurred. Other intangible assets are amortized using the straight-line method. These methods are used because they are considered to most closely represent the pattern in which the future economic benefits of intangible assets are expected to be consumed by the Group Companies.

Estimated useful lives of significant intangible assets with definite useful lives are as follows:

– Software mainly 5 years

– Value of the insurance business and its acquired customer relationships 30 years

The amortization methods, useful lives and residual values are reviewed at the end of each reporting period, and revised if necessary.

(8) Lease Transactions (as Lessee)

At the commencement date, the Group Companies measure 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. as well as the costs of carrying out obligations to restore the leased assets to its original condition as required under lease agreements.

The discount rate used in measuring the present value of the lease payments that are not paid at that date is the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group Companies use their incremental borrowing rate.

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. Financial costs shall be presented separately from the depreciation of the right-of-use assets in the Consolidated Statement of Income.

Whether an agreement constitutes a lease agreement, or elements of a lease are determined by the substance of the agreement, regardless of whether it is legally presented in the form of a lease or not.

(9) Real estate for investment

The Group Companies measure 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 39 years.

(10) Impairment of Non-financial Assets

The Group Companies assess 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 Group Companies estimate 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 Group Companies have 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

General Insurance Accounting

Insurance contracts issued and reinsurance contracts held by insurers are accounted for in accordance with IFRS 4 "Insurance contracts", as well as the rules and regulations to be applied to the insurance company generally accepted in Japan.

Insurance Business Policy Reserves

In order to measure insurance liabilities using discount rates based on current market interest rates and reflect the time value of money, the Group Companies recognize interest arising from the book value of insurance liabilities during the reporting period in net income, and the fluctuation in insurance liabilities associated with changes in the discount rate applied are recognized in Other comprehensive income.

A liability adequacy test is performed in respect of the estimated present value of cash inflows, such as related insurance premiums and investment income, and cash outflows such as insurance claims and benefits and operating expenses. If the test shows that the liability is inadequate, the entire deficiency is recognized in the Consolidated Statement of Income.

(13) Equity

Common Stock

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".

Treasury Stock

When the Company repurchases treasury stock, the consideration paid, including direct transaction costs (net of tax), is recognized as a deduction from equity. When the Company sells treasury stock, the consideration received is recognized as an addition to equity.

(14) Share-based Payments

The Group Companies have 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 Group Companies regularly review the assumptions and revise estimates of the number of options that are expected to vest, as necessary.

(15) Revenue

The Group Companies recognize revenue, excluding interest and dividend income and other such income from financial instruments recognized in accordance with IFRS 9 "Financial Instruments", insurance revenues recognized in accordance with IFRS 4 "Insurance Contracts" and lease income recognized in accordance with IFRS 16 "Leases", upon transfer of promised goods or services to customers in amounts that reflect the consideration to which the Group Companies expect 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 Group Companies incur 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 11 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 Group Companies 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 the conditions attached to the issuance of the grants are satisfied and there is reasonable assurance that the grants will be received. 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 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 Group Companies have present legal or constructive obligations and when reliable estimates of the obligations can be made.

2) Retirement Benefits

The Group Companies mainly adopt 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.

Deferred tax assets and liabilities are recognized on temporary differences between the carrying amounts of assets and liabilities in the Consolidated Statement of Financial Position and their corresponding tax bases. Deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition of an asset or liability in a transaction, which is not a business combination and, at the time of the transaction, affects neither income in the Consolidated Statement of Income nor taxable income.

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 taxable temporary differences associated with investments in subsidiaries, associates, and joint ventures. However, if the Group Companies are 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 consolidated taxation system.

(20) Earnings Per Share

The Group Companies disclose basic and diluted earnings (losses) per share (attributable to the owners of the Company) related to common stock. 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 Group Companies relates to the share option plan.

(21) Operating Segments

Operating segments correspond to business activities, from which the Group Companies earn 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 Group Companies in order to determine the allocation of resources to the segment and assess its performance.

[Changes in Presentation Method]

(Consolidated Statement of Financial Position)

"Borrowings for banking business", which was included in "bonds and borrowings" in the previous fiscal year, is independently disclosed from the end of the second quarter ended June 30, 2022 to enhance clarity of presentation. In addition, "borrowings for securities business" and "bonds and borrowings for credit card business", which were included in "bonds and borrowings" in the previous fiscal year, are independently disclosed from the end of the third quarter ended September 30, 2022, respectively, to enhance clarity of presentation.

In order to reflect these changes in presentation methods, the corresponding amounts from the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, ¥3,402,912 million presented as "bonds and borrowings" in the Consolidated Statement of Financial Position for the previous fiscal year has been reclassified as "bonds and borrowings" of ¥1,355,255 million, "borrowings for securities business" of ¥207,505 million, "bonds and borrowings for credit card business" of ¥733,852 million, and "borrowings for banking business" of ¥1,106,300 million.

(Consolidated Statement of Cash Flows)

"Net increase (decrease) in short-term borrowings for banking business", which was included in "net increase (decrease) in short-term borrowings", and "proceeds from long-term borrowings for banking business", which was included in "proceeds from long-term borrowings", all under "cash flows from financing activities" in the previous fiscal year, are independently disclosed from the second quarter ended June 30, 2022, respectively, to enhance clarity of presentation. In addition, "net increase (decrease) in short-term borrowings for securities business" and "net increase (decrease) in short-term borrowings for credit card business", which were included in "net increase (decrease) in short-term borrowings", "proceeds from long-term borrowings for securities business" and "proceeds from long-term borrowings for credit card business", which were included in "proceeds from long-term borrowings", and "repayments of long-term borrowings for credit card business", which was included in "repayments of long-term borrowings", all under "cash flows from financing activities" in the previous fiscal year, are independently disclosed from the third quarter ended September 30, 2022, respectively, to enhance clarity of presentation. Furthermore, "proceeds from issuance of bonds for credit card business", which was included in "proceeds from issuance of bonds", under "cash flows from financing activities" in the previous fiscal year, is independently disclosed from the fiscal year ended December 31, 2022 to enhance clarity of presentation.

In order to reflect these changes in presentation methods, the corresponding amounts from the Consolidated Financial Statements for the fiscal year ended December 31, 2021 have been reclassified.

As a result, ¥116,507 million presented as "net increase (decrease) in short-term borrowings" in the Consolidated Statement of Cash Flows for the fiscal year ended December 31, 2021 has been reclassified as "net increase (decrease) in short-term borrowings of ¥(12) million, "net increase (decrease) in short-term borrowings for securities business" of ¥(33,000) million, "net increase (decrease) in short-term borrowings for credit card business" of ¥5,019 million, and "net increase (decrease) in short-term borrowings for banking business" of ¥144,500 million. ¥729,142 million presented as "proceeds from long-term borrowings" has been reclassified as "proceeds from long-term borrowings" of ¥151,967 million, "proceeds from long-term borrowings for securities business" of ¥18,488 million, "proceeds from long-term borrowings for credit card business" of ¥176,087 million, and "proceeds from long-term borrowings for banking business" of ¥382,600 million. ¥(207,401) million presented as "repayments of long-term borrowings" has been reclassified as "repayments of long-term borrowings" of ¥(69,475) million and "repayments of long-term borrowings for credit card business" of ¥(137,926) million. ¥355,321 million presented as "proceeds from issuance of bonds" has been reclassified as "proceeds from issuance of bonds" of ¥295,598 million and "proceeds from issuance of bonds for credit card business" of ¥59,723 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, 2022

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. Significant 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, 2023

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, 2022

Please refer to Note 30. 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. Significant Accounting Policies (19) Current and Deferred Income Tax.

b) Major assumptions used for calculating the amounts

Please refer to Note 30. Income Tax Expense.

c) Impact on the Consolidated Financial Statements for the fiscal year ending December 31, 2023

Changes in the circumstance that served as the basis for the judgments and assumptions or amendment to tax laws 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, 2022

Please refer to Note 44. 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 Group Companies 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 Group Companies' 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, 2023

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, 2022

Please refer to Note 15. Allowance for Doubtful Accounts and Note 47. Financial Risk Management.

2) Information on the detail of significant accounting estimates concerning identified items

a) Method for calculating the estimates

The Group Companies 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, 2023

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 Group Companies

In the process of applying the accounting policies, management of the Group Companies has made certain decisions which significantly impact the amounts recognized in the Consolidated Financial Statements.

The Group Companies, mainly in the banking business and the credit card business, transact 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 Group Companies decide whether the Group Companies are 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 Group Companies had been organized into three reportable segments: “Internet Services,” “FinTech” and “Mobile”.

Discrete financial information for 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 in North America, 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, operation of electricity supply services, and operations including providing digital content sites, etc. in regions other than North America.

(2) Measurement of Segment Profit and Loss

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 Group Companies from the operating income recorded in accordance with IFRS.

Management believes that the disclosure of Non-GAAP financial measures facilitates comparison between the Group Companies 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 Group Companies and their future outlook. Nonrecurring items refer to one-off items that the Group Companies believe should be excluded in preparing a future outlook based on certain parameters. Other adjustment items are those that tend to differ depending on the standards; therefore are less comparable between companies. Examples of such items are stock-based compensation expense and amortization of acquisition-related intangible assets.

The Group Companies do not allocate assets and liabilities to operating segment information reviewed by the chief operating decision maker.

(3) Changes in Measurement Methods of Segment Revenue and Segment Profit (Loss) by Operating Segments

From the second quarter ended June 30, 2022, the aggregation method of point expenses in the headquarter administrative departments and business departments has been changed and applied retrospectively. In accordance with this change, segment revenue and segment profit in the Internet Services segment decreased by ¥4,197 million respectively for the fiscal year ended December 31, 2021, compared to those before the retrospective application. This change has no impact on consolidated revenue, Non-GAAP operating loss, or operating loss amounts.

For the year ended December 31, 2021 (January 1 to December 31, 2021)

(Millions of Yen)

	Internet Services	FinTech	Mobile	Total
Segment Revenue	¥999,185	¥619,048	¥227,511	¥1,845,744
Segment Profit (Loss)	103,351	89,120	(421,172)	(228,701)
Other items				
Depreciation and amortization	33,384	51,080	83,724	168,188

For the year ended December 31, 2022 (January 1 to December 31, 2022)

(Millions of Yen)

	Internet Services	FinTech	Mobile	Total
Segment Revenue	¥1,085,872	¥663,393	¥368,669	¥2,117,934
Segment Profit (Loss)	78,203	98,704	(492,830)	(315,923)
Other items				
Depreciation and amortization	30,954	54,607	140,810	226,371

The reconciliation of segment revenue to consolidated revenue is as follows:

(Millions of Yen)

	Year ended December 31, 2021	Year ended December 31, 2022
Segment Revenue	¥1,845,744	¥2,117,934
Intercompany transactions, etc.	(163,987)	(190,056)
Consolidated revenue	1,681,757	1,927,878

The reconciliation of segment profit or loss to loss before income tax is as follows:

(Millions of Yen)

	Year ended December 31, 2021	Year ended December 31, 2022
Segment loss	¥(228,701)	¥(315,923)
Intercompany transactions, etc.	3,702	(9,722)
Non-GAAP operating loss	(224,999)	(325,645)
Amortization of intangible assets	(9,321)	(10,484)
Share-based compensation expense	(10,059)	(12,587)
One-off items (Note)	49,653	(15,176)
Operating loss	(194,726)	(363,892)
Financial income and expenses	(19,738)	(41,454)
Share of income (losses) of investments in associates and joint ventures	1,834	(2,548)
Loss before income tax	(212,630)	(407,894)

(Note) One-off items listed for the fiscal year ended December 31, 2021 include a gain on step acquisition of ¥59,496 million as a result of making Altiostar Networks, Inc. a wholly-owned subsidiary of the Company and expenses of ¥8,789 million associated with an increase in provision for customer points as a result of revisions in the Rakuten Point Terms of Use. 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 changes in the Rakuten Point Terms of Use and estimated expenses incurred from fraudulent acts committed in collusion by former employees of a subsidiary and suppliers, which are included as other expenses in the Consolidated Statement of Income.

(4) Products and Services

Revenue from external customers by major products and services of the Group Companies is as follows:

(Millions of Yen)

	Rakuten Ichiba and Rakuten Travel	Rakuten Card	Rakuten Bank	Rakuten Securities	Rakuten Mobile	Others	Revenue from external customers
Year ended December 31, 2021	¥389,708	¥191,517	¥78,488	¥86,382	¥136,077	¥799,585	¥1,681,757
Year ended December 31, 2022	441,619	196,405	92,682	83,291	188,514	925,367	1,927,878

(Note) For the fiscal year ended December 31, 2022, revenue of Rakuten Energy is presented as a separate component in “32. Revenue” due to its increased materiality. Accordingly, revenue of Rakuten Energy, formerly included in Rakuten Mobile for the previous fiscal year, has been restated as “Others” in line with the revision of the presentation classification of “32. Revenue”.

(5) Geographic Information

For the year ended December 31, 2021

(Millions of Yen)

	Japan	Americas	Europe	Asia	Others	Total
Revenue from external customers	¥1,398,283	¥181,810	¥38,216	¥62,073	¥1,375	¥1,681,757
Property, plant and equipment and intangible assets	1,368,929	315,467	106,651	40,554	2,758	1,834,359

For the year ended December 31, 2022

(Millions of Yen)

	Japan	Americas	Europe	Asia	Others	Total
Revenue from external customers	¥1,624,902	¥212,280	¥39,639	¥49,162	¥1,895	¥1,927,878
Property, plant and equipment and intangible assets	1,669,793	382,436	119,324	62,159	2,775	2,236,487

(6) Major Customers

For the year ended December 31, 2021

There are no major customers disclosed because the proportion of revenue from an individual external customer does not exceed 10% of consolidated revenue.

For the year ended December 31, 2022

There are no major customers disclosed 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)

	December 31, 2021	December 31, 2022
Cash and deposits	¥4,410,301	¥4,694,360
Cash and cash equivalents	4,410,301	4,694,360

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. However, 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)

	December 31, 2021	December 31, 2022
Accounts receivable — trade measured at amortized cost		
Notes and accounts receivable — trade	¥316,686	¥372,806
Gross amount of accounts receivable — trade measured at amortized cost	316,686	372,806
Allowance for doubtful accounts	(8,865)	(8,620)
Net amount of accounts receivable — trade measured at amortized cost	307,821	364,186
Accounts receivable — trade measured at FVTPL	0	—
Total accounts receivable — trade	307,821	364,186

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. All other accounts receivable — trade are classified as measured at FVTPL.

7. Financial Assets for Securities Business

The breakdown of financial assets for securities business is as follows.

(Millions of Yen)

	December 31, 2021	December 31, 2022
Financial assets measured at amortized cost		
Cash segregated as deposits	¥1,746,063	¥2,003,545
Accounts receivable relating to investment securities transactions	510,056	548,101
Margin transactions assets	665,308	701,632
Short-term guarantee deposits	132,972	136,787
Others	35,162	41,057
Gross amount of financial assets measured at amortized cost	3,089,561	3,431,122
Allowance for doubtful accounts	(1,807)	(1,756)
Net amount of financial assets measured at amortized cost	3,087,754	3,429,366
Financial assets measured at FVTPL	790	1,410
Total financial assets for securities business	3,088,544	3,430,776

(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)

	December 31, 2021	December 31, 2022
Gross amount of loans for credit card business	¥2,475,494	¥2,858,766
Allowance for doubtful accounts	(87,046)	(82,722)
Net amount of loans for credit card business	2,388,448	2,776,044

(Note) 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)

	December 31, 2021	December 31, 2022
Financial assets measured at amortized cost		
Domestic bonds	¥99,250	¥522,512
Foreign bonds	4,308	—
Others	2,086	49,261
Total financial assets measured at amortized cost	105,644	571,773
Financial assets measured at FVTPL		
Trust beneficiary rights	984	907
Others	34	33
Total financial assets measured at FVTPL	1,018	940
Debt instruments measured at FVTOCI		
Trust beneficiary rights	158,544	165,968
Domestic bonds	168,568	143,200
Foreign bonds	16,076	34,769
Others	9,253	—
Total debt instruments measured at FVTOCI (Note)	352,441	343,937
Equity instruments measured at FVTOCI	1	1
Total investment securities for banking business	459,104	916,651

(Note) The allowance for doubtful accounts on debt instruments measured at fair value through comprehensive income amounted to ¥31 million for the year ended December 31, 2021 and ¥42 million for the year ended December 31, 2022, 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, while all other investment securities are classified as financial assets measured at fair value. Within financial assets measured at fair value, investments in equity instruments are designated as financial assets measured at FVTOCI. 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)

	December 31, 2021	December 31, 2022
Gross amount of loans for banking business	¥2,539,055	¥3,516,297
Allowance for doubtful accounts	(10,260)	(8,738)
Net amount of loans for banking business	2,528,795	3,507,559

(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)

	December 31, 2021	December 31, 2022
Financial assets measured at FVTPL		
Domestic bonds	¥1,313	¥1,194
Beneficiary investment trust securities		
Unlisted	104	861
Others	2,314	2,396
Total financial assets measured at FVTPL	3,731	4,451
Debt instruments measured at FVTOCI		
Trust beneficiary rights	4,975	4,089
Domestic bonds	69,046	57,245
Foreign bonds	33,501	38,807
Total debt instruments measured at FVTOCI (Note)	107,522	100,141
Equity instruments measured at FVTOCI		
Domestic bonds	11,151	10,584
Foreign bonds	2,956	20,556
Stock		
Listed	21,538	23,970
Unlisted	4,580	3,720
Beneficiary investment trust securities		
Listed	138,977	106,445
Others	0	0
Total equity instruments measured at FVTOCI	179,202	165,275
Total investment securities for insurance business	290,455	269,867

(Note) The allowance for doubtful accounts on debt instruments measured at fair value through comprehensive income amounted to ¥39 million for the year ended December 31, 2021 and ¥44 million for the year ended December 31, 2022, and are included in other comprehensive income respectively.

Within investment securities for insurance business, investment securities held as part of the Group Companies' business model 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, while all other investment securities are classified as financial assets measured at fair value. Within financial assets measured at fair value, investments in equity instruments are designated as financial assets measured at FVTOCI.

12. Derivative Assets and Derivative Liabilities

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)

	December 31, 2021					
	Notional principal amount by due date			Fair value		Average rate
	One year or less	Over one year	Total	Assets	Liabilities	
Fair value hedges						
Value fluctuation risk						
Interest rate swap contracts	¥4,300	¥—	¥4,300	¥—	¥31	Floating interest rate 0.370% Fixed interest rate 1.324%
Over-the-counter forward contracts	135,621	—	135,621	775	—	
Cash flow hedges						
Exchange rate risk						
Foreign exchange forward contracts	12,866	—	12,866	115	1,075	1 U.S. dollar = ¥99.39 1 U.S. dollar = 1.24 Canadian dollars 1 Euro = 1.46 Canadian dollars
Currency swap contracts	12,309	86,856	99,165	6,839	107	1 U.S. dollar = ¥109.15
Interest rate risk						
Interest rate swap contracts	6,494	125,546	132,040	—	944	Floating interest rate 0.486% Fixed interest rate 0.900%
Total	171,590	212,402	383,992	7,729	2,157	

(Millions of Yen)

	December 31, 2022					
	Notional principal amount by due date			Fair value		Average rate
	One year or less	Over one year	Total	Assets	Liabilities	
Fair value hedges						
Value fluctuation risk						
Interest rate swap 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 U.S. dollar = ¥130.62 1 U.S. dollar = 1.32 Canadian dollars 1 Euro = 1.35 Canadian dollars
Currency swap contracts	—	160,454	160,454	14,539	3,378	1 U.S. dollar = ¥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	

Derivatives Not Qualifying for Hedge Accounting

(Millions of Yen)

	December 31, 2021			December 31, 2022		
	Notional principal amount	Fair value		Notional principal amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
Foreign currency contracts						
Foreign exchange forward contracts (Note 1)	¥126,944	¥3,434	¥577	¥197,673	¥6,452	¥3,987
Foreign exchange margin contracts	3,101,823	25,401	5,340	5,072,049	38,638	10,350
Currency swap contracts	320,960	7,195	3,934	320,960	19,142	6,519
Total of foreign currency contracts	3,549,727	36,030	9,851	5,590,682	64,232	20,856
Interest rate contracts						
Interest rate swap contracts	123,449	1,096	1,029	200,610	10,938	10,820
Total of interest rate contracts	123,449	1,096	1,029	200,610	10,938	10,820
Share price contracts						
Option contracts (Note 2)	161,847	536	11,760	183,829	88,555	—
Total of share price contracts	161,847	536	11,760	183,829	88,555	—
Others						
Forward contracts	1,077	—	27	—	—	—
Others	988	33	2	719	29	2
Total of others	2,065	33	29	719	29	2
Total	3,837,088	37,695	22,669	5,975,840	163,754	31,678

(Notes) 1. Foreign exchange forward contracts include derivative assets and derivative liabilities associated with securities business transactions in the amount of ¥368 million and ¥1 million, respectively, for the fiscal year ended December 31, 2021, and such derivatives are recorded as part of the financial assets for the securities business. Meanwhile, a notional principal amount associated with such derivatives in the amount of ¥38,830 million is included in the fiscal year ended December 31, 2021. No items to report for the for the fiscal year ended December 31, 2022.

2. 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 ¥182,427 million (¥160,444 million for the fiscal year ended December 31, 2021) and ¥88,189 million (¥11,760 million for the fiscal year ended December 31, 2021), respectively, for option contracts under share price contracts as derivative assets (liabilities for the fiscal year ended December 31, 2021). 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 26. Other Financial Liabilities, (Note) Prepaid Variable Share Forward Transactions of Shares of Lyft, Inc.

13. Investment Securities

The breakdown of investment securities is as follows:

(Millions of Yen)

	December 31, 2021	December 31, 2022
Financial assets measured at amortized cost		
Trust beneficiary rights	¥1,800	¥800
Domestic bonds	4,702	—
Others	6	6
Total financial assets measured at amortized cost	6,508	806
Financial assets measured at FVTPL		
Shares		
Listed	155,367	50,202
Unlisted	94,748	82,065
Stock investment trust beneficiary securities		
Unlisted	18,707	21,918
Total financial assets measured at FVTPL	268,822	154,185
Equity instruments measured at FVTOCI		
Shares		
Listed	4,007	3,981
Unlisted	1,837	2,095
Others	5	4
Total equity instruments measured at FVTOCI	5,849	6,080
Total investment securities	281,179	161,071

14. Other Financial Assets

The breakdown of other financial assets is as follows:

(Millions of Yen)

	December 31, 2021	December 31, 2022
Financial assets measured at amortized cost		
Accounts receivable — other	¥148,893	¥199,876
Call loans for banking business	5,420	12,224
Security deposits	130,343	194,058
Receivables under securities borrowing transactions	149,018	539,001
Others	153,954	219,282
Gross amount of financial assets measured at amortized cost	587,628	1,164,441
Allowance for doubtful accounts	(4,582)	(5,198)
Net amount of financial assets measured at amortized cost	583,046	1,159,243
Financial assets measured at FVTPL	5,343	8,194
Financial assets measured at FVTOCI	—	16
Policy reserves (for reinsured portion)	54,261	46,484
Total other financial assets	642,650	1,213,937

15. Allowance for Doubtful Accounts

Changes in the allowance for doubtful accounts by type of financial assets measured at amortized cost as well as debt instruments measured at fair value through other comprehensive income are as follows:

For the year ended December 31, 2021

(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, 2021	¥8,950	¥1,884	¥84,345	¥50	¥12,184	¥42	¥4,566	¥112,021
Increase for the period (provision)	1,754	—	39,395	1	1,361	—	112	42,623
Increase for the period (others)	247	—	2	0	0	—	402	651
Decrease for the period (intended use)	(1,498)	(72)	(36,696)	—	(1,670)	—	(61)	(39,997)
Decrease for the period (reversal)	(588)	—	—	(20)	(1,615)	(3)	(437)	(2,663)
Decrease for the period (others)	—	(5)	—	—	—	—	—	(5)
December 31, 2021	8,865	1,807	87,046	31	10,260	39	4,582	112,630

(Note) The above table includes the allowance for doubtful accounts on debt instruments measured at FVTOCI. Such allowance for doubtful accounts is recognized in profit or loss and deducted from losses in other comprehensive income.

For the 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 FVTOCI. Such allowance for doubtful accounts is recognized in profit or loss 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.

1) Summarized consolidated financial information on significant associates

Seiyu Holdings Co., Ltd.

a) General information

Seiyu Holdings Co., Ltd. (location: Kita-ku, Tokyo, Japan) 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 has been accounted for using equity method since March 1, 2021 is as follows:

(Millions of Yen)

	December 31, 2021	December 31, 2022
Current assets	¥139,084	¥152,408
Non-current assets	469,557	443,406
Current liabilities	161,006	159,553
Non-current liabilities	358,458	320,446
Equity	89,177	115,815
Ownership percentage (%)	20.0%	19.9%
Share of voting rights (%)	20.0%	20.0%
Ownership interests held by Group Companies	17,835	23,009
Consolidation adjustments	313	881
Book value of investments	18,148	23,890

(Millions of Yen)

	Year ended December 31, 2021 (from March 1, 2021 to December 31, 2021)	Year ended December 31, 2022 (from January 1, 2022 to December 31, 2022)
Revenue	¥630,859	¥720,971
Gain from bargain purchase	36,046	—
Net income	39,975	26,206
Other comprehensive income	739	360
Comprehensive income	40,714	26,566

(Millions of Yen)

	Year ended December 31, 2021 (from March 1, 2021 to December 31, 2021)	Year ended December 31, 2022 (from January 1, 2022 to December 31, 2022)
Net income attributable to owners of the Company	¥8,307	¥5,672
Other comprehensive income attributable to owners of the Company	148	71
Comprehensive income attributable to owners of the Company	8,455	5,743

(Note) In the fiscal years ended December 31, 2021 and 2022, there were no dividend income received from Seiyu Holdings Co., Ltd.

2) Investments in insignificant associates

The carrying amounts of investments in associates and joint ventures, which are all individually insignificant, are as follows:

(Millions of Yen)

	December 31, 2021	December 31, 2022
Total carrying amount	¥49,369	¥50,153

Financial information on associates and joint ventures, which are all individually insignificant, is as follows. The following amounts represent the Group Companies' portion of ownership interests.

(Millions of Yen)

	Year ended December 31, 2021	Year ended December 31, 2022
Net loss	¥(6,702)	¥(8,285)
Other comprehensive income	5,008	4,847
Comprehensive income	(1,694)	(3,438)

(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 equity method.

The total carrying amounts of investments in individually insignificant joint ventures are as follows:

(Millions of Yen)

	December 31, 2021	December 31, 2022
Total carrying amount	¥1,474	¥3,498

Aggregate financial information on individually insignificant joint ventures is as follows. The following amounts represent the Group Companies' portion of ownership interests.

(Millions of Yen)

	Year ended December 31, 2021	Year ended December 31, 2022
Net income	¥229	¥65
Comprehensive income	229	65

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, 2021							
Cost	¥60,884	¥80,668	¥164,671	¥137,385	¥341,856	¥38,895	¥824,359
Accumulated depreciation and accumulated impairment losses	(15,276)	(38,628)	(13,972)	—	(62,180)	(10,193)	(140,249)
Carrying amount	45,608	42,040	150,699	137,385	279,676	28,702	684,110
Increases	6,081	32,022	183,371	58,162	187,962	13,434	481,032
Acquisition through business combinations	2,952	1,826	—	—	67	721	5,566
Disposals and sales	(5,334)	(470)	(198)	(13,098)	(78,473)	(806)	(98,379)
Impairment losses	(20)	(3)	—	(882)	(125)	(62)	(1,092)
Depreciation	(5,288)	(12,044)	(30,368)	—	(45,008)	(1,923)	(94,631)
Foreign currency translation adjustments	1,942	494	—	45	727	475	3,683
Other changes	(27)	88	20	(4,724)	(391)	107	(4,927)
December 31, 2021							
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

(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, 2021

In the Internet Services segment and the Mobile segment, impairment losses have been recorded on property, plant and equipment of ¥145 million and ¥947 million, respectively.

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.

18. Intangible Assets

(1) Schedule of Changes in Intangible Assets

(Millions of Yen)

	Goodwill	Software	Others	Total
January 1, 2021				
Cost	¥422,177	¥434,671	¥174,772	¥1,031,620
Accumulated amortization and accumulated impairment losses	(65,818)	(228,740)	(97,473)	(392,031)
Carrying amount	356,359	205,931	77,299	639,589
Increases	—	104,166	60,099	164,265
Acquisition through business combinations	87,848	113	25,229	113,190
Disposals and sales	(872)	(1,159)	(5,808)	(7,839)
Impairment losses	—	(613)	(7)	(620)
Amortization	—	(65,669)	(18,036)	(83,705)
Foreign currency translation adjustments	34,020	3,107	3,091	40,218
Other changes	415	(1,624)	(4,892)	(6,101)
December 31, 2021				
Cost	549,351	532,656	247,862	1,329,869
Accumulated amortization and accumulated impairment losses	(71,581)	(288,404)	(110,887)	(470,872)
Carrying amount	477,770	244,252	136,975	858,997
Increases	—	121,605	19,897	141,502
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)	(21,423)	(103,113)
Foreign currency translation adjustments	49,962	3,746	5,119	58,827
Other changes	822	(2,118)	(5,337)	(6,633)
December 31, 2022				
Cost	638,440	634,126	273,969	1,546,535
Accumulated amortization and accumulated impairment losses	(79,437)	(357,484)	(135,242)	(572,163)
Carrying amount	559,003	276,642	138,727	974,372

(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, 2021 and 2022 were ¥17,287 million and ¥14,156 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	December 31, 2021		December 31, 2022	
		Goodwill	Intangible assets with indefinite useful lives	Goodwill	Intangible assets with indefinite useful lives
Internet Services	Internet Services segment	¥288,424	¥1,070	¥316,685	¥1,100
FinTech	Rakuten Bank, Ltd.	32,886	—	32,886	0
	Others	21,593	2	21,839	37
	Subtotal	54,479	2	54,725	37
Mobile	Mobile segment	134,867	49,648	187,593	52,758
	Total	477,770	50,720	559,003	53,895

(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 year ended December 31, 2021

Not applicable.

For the year ended December 31, 2022

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, due to 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, 2022, 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 CGU, using pre-tax, estimated future cash flows for primarily three to five years and other assumptions for a three to five year period. 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, 2021 and 2022 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	December 31, 2021		December 31, 2022	
		Growth rate	Discount rate	Growth rate	Discount rate
Internet Services	Internet Services segment	1.0%	6.7%	1.0%	5.4%
FinTech	Rakuten Bank, Ltd.	1.0%	4.2%	1.0%	3.3%
	Others	1.0%	3.0%-9.3%	1.0%	2.7%-9.0%
Mobile (Note)	Mobile segment	1.0%	10.6%	1.0%	12.9%

(Note) Discount rate of the Mobile segment for the fiscal year ended December 31, 2022 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.

For the year ended December 31, 2021

In the Internet Services segment and the Mobile segment, impairment losses of ¥606 million and ¥14 million relating to intangible assets (except for goodwill and intangible assets with indefinite useful lives) were recorded, respectively.

For the 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.

19. Deposits for Banking Business

The breakdown of deposits for banking business is as follows:

(Millions of Yen)

	December 31, 2021	December 31, 2022
Financial liabilities measured at amortized cost		
Demand deposits	¥6,401,269	¥7,748,834
Time deposits	447,101	670,263
Total financial liabilities measured at amortized cost	6,848,370	8,419,097
Total deposits for banking business	6,848,370	8,419,097

20. Financial Liabilities for Securities Business

The breakdown of Financial Liabilities for Securities Business is as follows:

(Millions of Yen)

	December 31, 2021	December 31, 2022
Accounts payable relating to securities transactions	¥507,153	¥545,030
Margin transactions liabilities	132,378	156,342
Deposits received	1,361,096	1,476,564
Borrowings secured by securities	509,198	726,762
Guarantee deposits received	522,598	588,725
Others	573	1,044
Total financial liabilities for securities business	3,032,996	3,494,467

(Note) Financial liabilities for securities business are measured at amortized cost.

Derivative liabilities classified as held for trading are included in “Derivative liabilities”.

21. Bonds and Borrowings

The schedule of bonds is as follows:

(Millions of Yen)

Name	Type	Interest rate	December 31, 2021	December 31, 2022
Rakuten Group, Inc.	The 5th unsecured bond Currency: JPY Maturity: 7 years	0.25%	¥9,987	¥9,996
Rakuten Group, Inc.	The 7th unsecured bond Currency: JPY Maturity: 5 years	0.22%	29,986	—
Rakuten Group, Inc.	The 8th unsecured bond Currency: JPY Maturity: 7 years	0.32%	19,966	19,980
Rakuten Group, Inc.	The 9th unsecured bond Currency: JPY Maturity: 10 years	0.42%	9,968	9,974
Rakuten Group, Inc.	The 10th unsecured bond Currency: JPY Maturity: 3 years	0.08%	9,993	—
Rakuten Group, Inc.	The 11th unsecured bond Currency: JPY Maturity: 5 years	0.25%	9,875	9,885
Rakuten Group, Inc.	The 12th unsecured bond Currency: JPY Maturity: 7 years	0.35%	19,939	19,953
Rakuten Group, Inc.	The 13th unsecured bond Currency: JPY Maturity: 10 years	0.45%	19,920	19,931
Rakuten Group, Inc.	The 14th unsecured bond Currency: JPY Maturity: 15 years	0.90%	19,901	19,909
Rakuten Group, Inc.	The 15th unsecured bond Currency: JPY Maturity: 3 years	0.50%	74,718	74,814
Rakuten Group, Inc.	The 16th unsecured bond Currency: JPY Maturity: 5 years	0.60%	44,804	44,844
Rakuten Group, Inc.	The 17th unsecured bond Currency: JPY Maturity: 7 years	0.80%	9,952	9,959

(Millions of Yen)

Name	Type	Interest rate	December 31, 2021	December 31, 2022
Rakuten Group, Inc.	The 18th unsecured bond Currency: JPY Maturity: 10 years	1.05%	84,588	84,629
Rakuten Group, Inc.	The 19th unsecured bond Currency: JPY Maturity: 12 years	1.30%	37,802	37,818
Rakuten Group, Inc.	The 20th unsecured bond Currency: JPY Maturity: 15 years	1.50%	43,754	43,770
Rakuten Group, Inc.	The 21th unsecured bond Currency: JPY Maturity: 3 years	0.72%	—	148,751
Rakuten Group, Inc.	The 1st subordinated bond Currency: JPY Maturity: 35 years	2.35%	67,776	67,893
Rakuten Group, Inc.	The 2nd subordinated bond Currency: JPY Maturity: 37 years	2.61%	25,864	25,899
Rakuten Group, Inc.	The 3rd subordinated bond Currency: JPY Maturity: 40 years	3.00%	12,908	12,922
Rakuten Group, Inc.	The 4th subordinated bond Currency: JPY Maturity: 35 years	1.81%	49,666	49,753
Rakuten Group, Inc.	The 5th subordinated bond Currency: JPY Maturity: 37 years	2.48%	19,852	19,877
Rakuten Group, Inc.	The 6th subordinated bond Currency: JPY Maturity: 40 years	3.00%	49,570	49,618
Rakuten Group, Inc.	The November 2024 maturity USD-denominated unsecured bond Currency: USD Maturity: 5 years	3.546%	91,843	104,625
Rakuten Group, Inc.	The November 2024 maturity USD-denominated unsecured bond Currency: USD Maturity: 2 years	10.250%	—	62,466
	Total bonds	—	762,632	947,266

(Note) All bonds are measured at amortized cost.

The nominal interest rates applied for each bond in the fiscal year ended December 31, 2021 or 2022 are stated in the "Interest rate" column, and they differ from the effective interest rates.

During the year ended December 31, 2022, the Company issued the 21st unsecured bond of ¥150,000 million (interest rate: 0.72%, redemption: June 13, 2025) and USD-denominated unsecured bond of 500 million U.S. dollars (interest rate: 10.25%, redemption: November 30, 2024).

During the year ended December 31, 2022, the Company's 7th unsecured bond of ¥30,000 million (interest rate: 0.22%, redemption: June 24, 2022) and the 10th unsecured bond of ¥10,000 million (interest rate: 0.08%, redemption: June 24, 2022) were redeemed.

The schedule of borrowings is as follows:

(Millions of Yen)

	December 31, 2021	December 31, 2022
Short-term borrowings	¥—	¥123,193
Long-term borrowings		
Floating-rate borrowings	252,621	221,796
Fixed-rate borrowings	226,002	294,526
Commercial paper	114,000	174,000
Total borrowings	592,623	813,515

(Note) All borrowings are measured at amortized cost.

The schedule of the maturity and interest rate of borrowings is as follows:

	December 31, 2021		December 31, 2022	
	Maturity	Interest rate	Maturity	Interest rate
Short-term borrowings	—	—	—	1.87%
Long-term borrowings				
Floating-rate borrowings	8 years to 10 years	0.38%-0.66%	8 years to 10 years	0.39%-0.51%
Fixed-rate borrowings	5 years	1.98%-2.75%	5 years to 8 years	0.48%-2.75%
Commercial paper	—	0.01%-0.10%	—	0.15%-0.47%

(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.

22. Borrowings for securities business

The schedule of borrowings for securities business is as follows:

(Millions of Yen)

	December 31, 2021	December 31, 2022
Short-term borrowings	¥189,000	¥139,000
Long-term borrowings		
Floating-rate borrowings	18,505	18,542
Total borrowings	207,505	157,542

(Note) All borrowings are measured at amortized cost.

The schedule of the maturity and interest rate of borrowings is as follows:

	December 31, 2021		December 31, 2022	
	Maturity	Interest rate	Maturity	Interest rate
Short-term borrowings	—	0.15%-0.48%	—	0.14%-1.48%
Long-term borrowings				
Floating-rate borrowings	3 years	0.36%	3 years	0.35%

(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.

23. 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	December 31, 2021	December 31, 2022
Rakuten Card Co., Ltd.	The 1st unsecured bond Currency: JPY Maturity: 3 years	0.14%	19,973	—
Rakuten Card Co., Ltd.	The 2nd unsecured bond Currency: JPY Maturity: 5 years	0.30%	19,845	19,864
Rakuten Card Co., Ltd.	The 3rd unsecured bond Currency: JPY Maturity: 7 years	0.42%	9,966	9,972
Rakuten Card Co., Ltd.	The 4th unsecured bond Currency: JPY Maturity: 5 years	0.49%	29,868	29,719
Rakuten Card Co., Ltd.	The 5th unsecured bond Currency: JPY Maturity: 3 years	0.30%	29,879	29,920
Rakuten Card Co., Ltd.	The 6th unsecured bond Currency: JPY Maturity: 5 years	0.62%	13,933	13,947
Rakuten Card Co., Ltd.	The 7th unsecured bond Currency: JPY Maturity: 7 years	0.83%	4,973	4,977
Rakuten Card Co., Ltd.	The 8th unsecured bond Currency: JPY Maturity: 10 years	1.07%	10,941	10,946
Rakuten Card Co., Ltd.	The 9th unsecured bond Currency: JPY Maturity: 5 years	1.65%	—	49,692
	Total bonds	—	139,378	169,037

(Note) All bonds are measured at amortized cost.

The nominal interest rates applied for each bond in the fiscal year ended December 31, 2021 or 2022 are stated in the "Interest rate" column, and they differ from the effective interest rates.

During the year ended December 31, 2022, Rakuten Card Co., Ltd. issued the 9th unsecured bond of ¥50,000 million (interest rate: 1.65%, redemption: December 16, 2027).

During the year ended December 31, 2022, Rakuten Card Co., Ltd.'s 1st unsecured bond of ¥20,000 million (interest rate: 0.14%, redemption: December 12, 2022) was redeemed.

The schedule of borrowings for credit card business is as follows:

(Millions of Yen)

	December 31, 2021	December 31, 2022
Short-term borrowings	¥74,345	¥77,905
Long-term borrowings		
Floating-rate borrowings	97,190	107,590
Fixed-rate borrowings	222,939	228,306
Commercial paper	200,000	229,900
Total borrowings	594,474	643,701

(Note) All borrowings are measured at amortized cost.

The schedule of the maturity and interest rate of borrowings is as follows:

	December 31, 2021		December 31, 2022	
	Maturity	Interest rate	Maturity	Interest rate
Short-term borrowings	—	0.35%-1.18%	—	0.35%-1.98%
Long-term borrowings				
Floating-rate borrowings	3 years to 5 years	0.31%-2.59%	3 years to 5 years	0.31%-2.25%
Fixed-rate borrowings	3 years to 25 years	0.20%-1.07%	3 years to 25 years	0.20%-1.23%
Commercial paper	—	0.02%-0.12%	—	0.06%-0.60%

(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 includes 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.

24. Borrowings for banking business

The schedule of borrowings for banking business is as follows:

(Millions of Yen)

	December 31, 2021	December 31, 2022
Short-term borrowings	¥484,500	¥4,289
Long-term borrowings		
Fixed-rate borrowings	621,800	2,177,400
Total borrowings	1,106,300	2,181,689

(Note) All borrowings are measured at amortized cost.

The schedule of the maturity and interest rate of borrowings is as follows:

	December 31, 2021		December 31, 2022	
	Maturity	Interest rate	Maturity	Interest rate
Short-term borrowings	—	0%	—	1.26%
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.

25. Reconciliation of Changes in Liabilities relating to Cash Flows arising from Financing Activities

For the year ended December 31, 2021

(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, 2021	¥541,353	¥79,565	¥515,165	¥222,000	¥550,174	¥579,200	¥280,760
Changes in cash flows from financing and repayments							
Net increase (decrease) in short-term borrowings	—	—	(12)	(33,000)	5,019	144,500	—
Increase (decrease) in commercial papers	—	—	(6,000)	—	—	—	—
Proceeds from long-term borrowings	—	—	151,967	18,488	176,140	382,600	—
Repayments of long-term borrowings	—	—	(69,475)	—	(137,926)	—	—
Proceeds from issuance of bonds	297,000	60,000	—	—	—	—	—
Redemption of bonds	(84,683)	—	—	—	—	—	—
Repayments of lease liabilities	—	—	—	—	—	—	(44,787)
Payments of transaction costs relating to borrowings, etc.	(1,402)	(277)	—	—	(53)	—	—
Total changes from financing cash flows	210,915	59,723	76,480	(14,512)	43,180	527,100	(44,787)
Non-fund transactions							

(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
Changes as a result of gaining or losing control of a subsidiary or another business	—	—	—	—	—	—	(77,012)
Changes due to increases in right-of-use assets	—	—	—	—	—	—	189,136
Impact of changes in foreign currency exchange rates	9,697	—	2	—	1,073	—	844
Interest expenses	667	90	976	17	47	—	—
Other changes	—	—	—	—	—	—	(6,667)
December 31, 2021	762,632	139,378	592,623	207,505	594,474	1,106,300	342,274

For the 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)

(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
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

26. Other Financial Liabilities

The breakdown of other financial liabilities is as follows:

(Millions of Yen)

	December 31, 2021	December 31, 2022
Financial liabilities measured at amortized cost		
Other payables	¥555,405	¥617,310
Accrued expenses	62,549	61,681
Deposits received	144,281	213,347
Margin deposits received	13,892	14,700
Guarantee deposits received (Note)	267,970	255,328
Lease liabilities	342,274	430,823
Others	24,438	32,424
Total financial liabilities measured at amortized cost	1,410,809	1,625,613

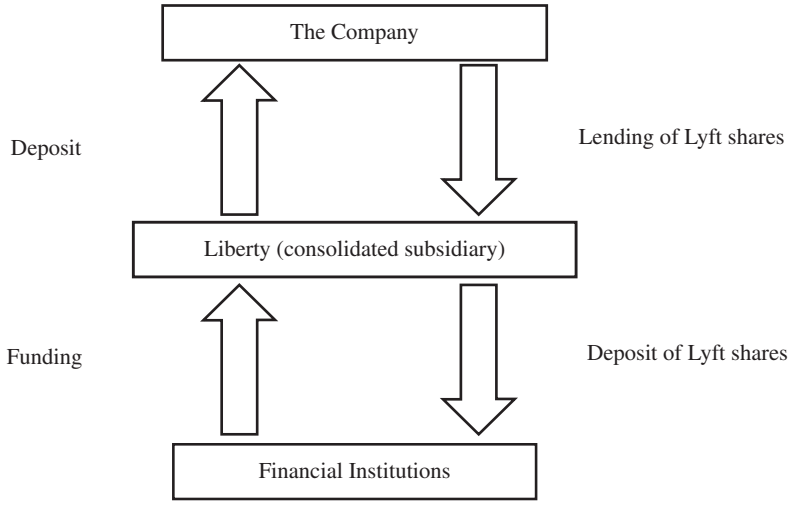
(Millions of Yen)

	December 31, 2021	December 31, 2022
Financial liabilities measured at fair value through net income		
Other	4,559	1,687
Total financial liabilities measured at fair value through net income	4,559	1,687
Total other financial liabilities	1,415,368	1,627,300

(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. 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, 2022, the liabilities associated with the financing using shares of Lyft, Inc. have been recognized as liabilities measured at amortized cost in the amount of ¥143,210 million (¥125,115 million for the year ended December 31, 2021) in other financial liabilities, and the derivatives associated with the collar agreement involving shares of Lyft, Inc. of ¥88,189 million in derivative assets (¥11,760 million in derivative liabilities for the year ended December 31, 2021).

Additionally, during the year ended December 31, 2022, the difference in fair value measurement of the derivatives associated with the collar agreement involving shares of Lyft, Inc. of ¥99,949 million (¥11,764 million for the year ended December 31, 2021), has been recognized in financial income, while the difference in fair value measurement of shares of Lyft, Inc. of ¥109,341 million (¥4,477 million for the year ended December 31, 2021), the amortized cost incurred from the liabilities associated with financing using shares of Lyft, Inc. of ¥953 million (¥686 million for the year ended December 31, 2021), and foreign exchange losses of ¥17,141 million (¥10,252 million for the year ended December 31, 2021) have been recognized in financial expenses.

27. Provisions

(1) Schedule of Changes in Provisions

(Millions of Yen)

	Provision for customer points	Others	Total
January 1, 2021	¥146,763	¥15,816	¥162,579
Increases during the period (provisions made)	176,434	11,031	187,465
Increases during the period (others)	141	775	916
Decreases during the period (provisions used)	(146,194)	(4,464)	(150,658)
Decreases during the period (others)	(1,520)	(9,308)	(10,828)
Changes in estimates (Note)	8,789	—	8,789
December 31, 2021	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

(Note) Changes in estimates for the fiscal year ended December 31, 2021 include expenses of ¥8,789 million associated with an increase in provision for customer points as a result of revisions in the Rakuten Point Terms of Use.

(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. 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.

28. Insurance Business Policy Reserves

(1) Breakdown and Changes in Policy Reserves for Insurance Business

The breakdown of policy reserves for insurance business is as follows:

(Millions of Yen)

	December 31, 2021	December 31, 2022
Reserve for outstanding claims	¥19,306	¥18,381
Liability reserves (Note)	228,605	182,164
Total policy reserves for insurance business	247,911	200,545

(Note) Under the funding method for Insurance liabilities reserves, reserve balances reflect the market interest rate. Insurance liability reserves are discounted by the amount of future cash flows which is determined using the market interest rate.

Changes in policy reserves for insurance business are as follows:

(Millions of Yen)

	Year ended December 31, 2021	Year ended December 31, 2022
Balance at the beginning of the year	¥285,336	¥247,911
Life insurance business		
Insurance premium (net) (Note1)	20,885	23,230
Insurance claims and other payments	(9,859)	(13,846)
Market interest rate changes	(682)	(7,024)
Other changes (Note 2)	(10,259)	(8,373)
General insurance business, etc.		
Insurance revenue, etc.	42,131	48,156
Elapsed policy period of insurance	(40,947)	(37,510)
Insured events	22,926	23,582
Insurance claims and other payments	(61,384)	(70,706)
Market interest rate changes	(411)	(3,657)
Other changes (Note 2)	175	(1,218)
Balance at the end of the year	247,911	200,545

(Notes) 1 The amount is calculated by deducting costs allocated to the operation of the insurance business from insurance revenue, etc.

2 The amount includes interest on liability reserves, mortality gain, etc.

Estimated timing of net cash outflows deriving from policy reserves at the end of the current fiscal year are as follows:

(Millions of Yen)

	Total	One year or less	Over one year to three years	Over three years to five years	Over five years
Life insurance business	¥19,754	¥3,702	¥644	¥614	¥14,794
General insurance business					
Before risk mitigation through reinsurance	180,791	47,682	36,550	40,894	55,665
After risk mitigation through reinsurance	134,308	42,076	32,795	35,654	23,783

(Note) Net cash outflow is calculated based on the remaining insurance period at the end of the current fiscal year.

(2) Breakdown and Changes in Policy Reserves (Reinsured Portion) for Insurance Business

The breakdown of policy reserves (reinsured portion) for insurance business is as follows:

(Millions of Yen)

	December 31, 2021	December 31, 2022
Reserve for outstanding claims	¥6,635	¥3,938
Liability reserves (Note)	47,626	42,545
Total policy reserves for insurance business	54,261	46,483

(Note) Under the funding method for Insurance liabilities reserves, reserve balances reflect the market interest rate. Insurance liability reserves are discounted by the amount of future cash flows which is determined using the market interest rate.

Changes in policy reserves (reinsured portion) for insurance business are as follows:

(Millions of Yen)

	Year ended December 31, 2021	Year ended December 31, 2022
Balance at the beginning of the year	¥56,332	¥54,261
General insurance business, etc.		
Insurance revenue, etc.	16,848	9,346
Elapsed policy period of insurance	(16,358)	(11,208)
Insured events	9,820	8,388
Insurance claims and other payments	(12,176)	(10,545)
Market interest rate changes	(205)	(2,615)
Other changes	—	(1,144)
Balance at the end of the year	54,261	46,483

(3) Gains and Losses Recognized in Net Income on Buying Reinsurance, and Deferred Amounts

Gains and losses recognized in net income on buying reinsurance, and deferred amounts are as follows:

(Millions of Yen)

	December 31, 2021	December 31, 2022
Reinsurance commission	¥644	¥616
Net reinsurance premium	(15,281)	(8,690)
Deferred reinsurance commission	265	293

(Note) Reinsurance commission, net insurance premium and deferred reinsurance commission are accounted for as operating expenses, operating income and intangible assets, respectively.

Changes in deferred gains and losses recognized in net income on buying reinsurance contracts are as follows:

(Millions of Yen)

	Year ended December 31, 2021	Year ended December 31, 2022
Balance at the beginning of the year	¥352	¥265
General insurance business		
Recognized during the current fiscal year	1,407	510
Amortized	(1,494)	(482)
Balance at the end of the year	265	293

(4) Changes in Deferred Acquisition Cost for Insurance Business

(Millions of Yen)

	Year ended December 31, 2021	Year ended December 31, 2022
Balance at the beginning of the year	¥10,220	¥10,277
Life insurance business		
Recognized during the current fiscal year	682	1,562
Amortized	(278)	(348)
General insurance business, etc.		
Recognized during the current fiscal year	3,960	3,135
Amortized	(4,307)	(3,517)
Other changes	—	(147)
Balance at the end of the year	10,277	10,962

(5) Liability Adequacy Test for Insurance Contracts

The Group Companies perform a liability adequacy test for insurance contracts taking into consideration estimated present value of cash inflows, such as related insurance premiums and investment income, and cash outflows, such as insurance claims and benefits and operating expenses. As a result of testing, the amount of the liability was considered to be adequate, and no additional recognition of liability and expense was recognized.

(6) Risk Management System Related to Insurance Contracts

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 the role and process at departments responsible for risk management were clarified. The Group Companies ensure appropriate business operations by having all employees and officers fully understand the importance of risk management. Specifically, the Group Companies established a cross-organizational "Risk Management Committee," and undertake the following overall risk management activities: appointing departments responsible for risk management according to the type of risk; developing a risk management framework; comprehending, analyzing and assessing risk status; and instructing operational departments.

1) Insurance Risk

Concerning the life insurance business, the Group Companies have identified and analyzed risks through regular monitoring of the frequency of insured events and surrender ratio. In developing new products, risk analysis is carried out in consideration of an appropriate balance with profitability.

Concerning the general insurance business, while monitoring loss ratio and cost ratio, the Group Companies control risks through portfolio management, active review and renewal of products, adopting stringent contract acceptance and establishing effective reinsurance scheme.

In arranging reinsurance, the Group Companies consider the certainty in recovery as the primary factor and select highly creditable insurance firms that meet certain standards as a reinsurance destination.

Under Japanese laws and regulations, insurance companies are required to calculate risks associated with payments of insurance claims and benefits and risks associated with asset management in preparation for the occurrence of various risks to which insurance companies are exposed on a scale beyond a normally predictable level. The amounts equivalent to risks before tax are as follows, which are recognized as representing the impact on the Consolidated Statement of Income in the event of occurrence of such risks. The confidence level of risk quantity is generally assumed to be 95%, with variance depending on the type of risk.

(Millions of Yen)

	December 31, 2021	December 31, 2022
Insurance risk impact amount	¥5,523	¥5,131
Third-sector insurance risk impact amount	1,217	1,414
Product crediting rate risk impact amount	536	451
Minimum guarantee risk impact amount	—	—
Investment risk impact amount	7,609	8,413
Business risk impact amount	406	412

a) Sensitivity to insurance risk

In life insurance business, policy reserves are recorded based on the estimated present value of all cash flows derived from insurance contracts by using the assumptions at the initial recognition. Material assumptions in life insurance business include discount rate (interest rate), mortality, morbidity, renewal ratio, operating cost and commissions. In the case where increases in mortality, morbidity, operating cost or commissions are expected, future net income and capital are expected to decrease through an increase in future cash out flows.

In general insurance business, in order to cover future liabilities associated with insurance contracts, policy reserves are recorded based on the assumptions at the initial recognition. Material assumptions in general insurance business include loss ratio, or cost ratio. In the case where increase in loss ratio is predicted, future net income and capital are expected to decrease through an increase in future cash out flows.

There were no changes in the aforementioned assumptions that may have significant impact on the Consolidated Financial Statements for the current fiscal year.

b) Concentrations of insurance risk

The Group Companies' insurance portfolio is well distributed geographically, thus is not exposed to excessive concentrations of insurance risk.

c) Actual claims compared with previous estimates (claims development)

Claims development in general insurance business is as follows:

(Millions of Yen)

	Year of contract				
	2018	2019	2020	2021	2022
Cumulative paid insurance and reserve for outstanding claims					
At the end of the year of contract	¥905	¥794	¥703	¥531	¥403
After one year	3,516	2,783	2,573	2,091	—
After two years	4,334	3,425	3,317	—	—
After three years	4,209	3,371	—	—	—
After four years	4,102	—	—	—	—
Final loss estimation	4,102	3,371	3,317	2,091	403
Cumulative paid insurance	4,170	2,870	1,499	537	49
Reserve for outstanding claims	(68)	501	1,818	1,554	354

(Note) Above claims development shows cumulative paid insurance and reserve for outstanding claims of the compulsory automobile liability insurance contracts for which the interval between the accident and the insurance payment is expected to be long.

2) Liquidity risk

For the purpose of liquidity risk management, the Group Companies endeavor to manage cash flows adequately through collecting and analyzing information regarding new policy, cancellation and fund movement at maturity, and to be prepared to provide funds against potential catastrophic loss, while monitoring trading environment at all times to ensure smooth asset liquidation for raising funds when needed.

3) Market risk

Certain subsidiaries operating insurance business under the Group manage their market risks such as foreign exchange risk, interest rate risk and price fluctuation risk, by measuring and managing the risk quantity through stress testing by establishing specific maximum risk tolerance limits, while closely grasping the outstanding assets under management along with unrealized gain or loss.

Stress testing involves estimation of market risk exposure assuming that the market fluctuates beyond normal volatility.

29. Employee Benefits

The Group Companies mainly adopt the defined benefit system as their retirement benefit system.

The Group Companies have a defined-benefit retirement benefit plan consisting mainly of a lump sum severance payment plan. The Group Companies directly assume 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)

	December 31, 2021	December 31, 2022
Present value of defined benefit obligations	¥30,041	¥35,041
Fair value of plan assets	289	298
Net amount of employee retirement benefit liabilities recognized in Consolidated Statement of Financial Position	29,752	34,743

(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)

	December 31, 2021	December 31, 2022
Present value of defined benefit obligations (at beginning of period)	¥19,558	¥30,041
Service cost	9,176	8,792
Interest cost	92	148
Remeasurement of defined benefit obligations		
Actuarial gains and losses arising from changes in demographic assumptions	233	(332)
Actuarial gains and losses arising from changes in financial assumptions	462	(2,289)
Other revisions	1,141	118
Benefit paid	(596)	(1,498)
Others	(25)	61
Present value of defined benefit obligations (at end of period) (Note)	30,041	35,041

(Note) The weighted average duration of the defined benefit obligation for the fiscal years ended December 31, 2021 and 2022 was 10.6 years and 9.5 years, respectively.

(3) Actuarial Assumptions

Significant actuarial assumptions (weighted averages) are as follows:

	December 31, 2021	December 31, 2022
Discount rate	0.48%	1.07%

(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, 2021	December 31, 2022
Discount rate	In the case of 0.5% increase	¥(1,522)	¥(1,585)
	In the case of 0.5% decrease	1,658	1,715

30. Income Tax Expense

The deferred tax assets and liabilities include the following:

(Millions of Yen)

	December 31, 2021	December 31, 2022
Deferred tax assets		
Tax losses carried forward	¥190,739	¥220,968
Allowance for doubtful accounts	22,585	20,759
Provision for customer points	56,474	68,465
Others	50,488	80,887
Total	320,286	391,079
Deferred tax liabilities		
Intangible assets	(25,834)	(26,779)
Assets arising from contract costs	(26,254)	(28,577)
Others	(45,586)	(58,482)
Total	(97,674)	(113,838)
Net amount of deferred tax assets		
Deferred tax assets	225,100	281,950
Deferred tax liabilities	(2,488)	(4,709)
Net	222,612	277,241

In the years ended December 31, 2021 and 2022, the deferred tax assets recognized for tax losses carried forward were primarily those recognized by the Company's subsidiary, Rakuten Mobile, Inc. Although Rakuten Mobile, Inc. launched voice calling and data transmission services on a full scale as an Mobile Network Operator (MNO) on April 8, 2020, it 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 Group Companies have adopted the consolidated taxation system in Japan, and plan to shift to the Japanese Group Relief System from January 1, 2023. Therefore, our accounting procedures are conducted on the assumption that the Japanese Group Relief System will be applied. The income of each company in the

Japanese Group Relief System can be used to recover a portion of the tax losses carried forward, and the Group Companies are 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 net deferred tax assets and liabilities were as follows:

For the year ended December 31, 2021

(Millions of Yen)

	January 1, 2021	Recognized in net income	Recognized in other comprehensive income	Changes in scope of consolidation	Others	December 31, 2021
Tax losses carried forward	¥95,472	¥92,621	¥2,646	¥—	¥—	¥190,739
Allowance for doubtful accounts	20,552	2,033	—	—	—	22,585
Provision for customer points	44,878	11,596	—	—	—	56,474
Intangible assets	(26,881)	3,192	(2,145)	—	—	(25,834)
Assets arising from contract costs	(24,199)	(2,055)	—	—	—	(26,254)
Others	14,461	(14,216)	1,956	1,024	1,677	4,902
Total	124,283	93,171	2,457	1,024	1,677	222,612

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	(25,834)	1,942	(2,887)	—	—	(26,779)
Assets arising from contract costs	(26,254)	(2,323)	—	—	—	(28,577)
Others	4,902	5,559	8,860	9	3,075	22,405
Total	222,612	42,884	8,661	9	3,075	277,241

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, 2021	December 31, 2022
Deductible temporary differences	¥69,435	¥172,809
Unused tax losses carried forward	120,363	211,417
Total	189,798	384,226

(Note) Deferred tax assets associated with the above are not recognized, as it is unlikely that future taxable income necessary for the 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, 2021	December 31, 2022
One year or less	¥138	¥614
Over one year to five years	2,187	4,387
Over five years to 10 years	63,906	132,555
Over 10 years	54,132	73,861
Total	120,363	211,417

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 Group Companies' tax payment, even if the retained earnings of the subsidiaries or associates are remitted to the Group Companies in the future.

(Millions of Yen)

	December 31, 2021	December 31, 2022
Deductible temporary differences	¥785,160	¥1,187,422
Taxable temporary differences	491,515	358,280

Breakdown of income tax expense recognized through net income is as follows:

(Millions of Yen)

	Year ended December 31, 2021	Year ended December 31, 2022
Current tax expense		
Income tax expense for net income	¥16,367	¥10,901
Subtotal	16,367	10,901
Deferred tax expense (Note 2)		
Generation and reversal of temporary difference	(550)	(15,343)
Changes in unused tax losses carried forward	(92,621)	(27,541)
Subtotal	(93,171)	(42,884)
Total income tax expense	(76,804)	(31,983)

(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 ¥(30,364) million and ¥4,005 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, 2021	Year ended December 31, 2022
Statutory tax rate in Japan	30.6	30.6
(Reconciliations)		
Permanent non-deductible items	(0.9)	(2.9)
Permanent non-taxable items	2.4	6.0
Effect due to recoverability of deferred tax assets	(11.7)	(32.1)
Differences due to statutory tax rate of subsidiaries (Note)	18.3	6.2
Effect of temporary differences associated with investments in subsidiaries, etc.	(3.3)	0.6
Share of income (loss) of associates and joint ventures	0.3	(0.2)
Gain (loss) on sale of shares of subsidiaries	—	(0.6)
Others	0.4	0.2
Effective tax rate on income tax expense	36.1	7.8

(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.

31. 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, 2021	3,941,800	1,434,574
Changes during the period: Increase due to issuance of common stock	—	147,161
December 31, 2021	3,941,800	1,581,735
Changes during the period: Increase due to issuance of common stock	—	8,728
December 31, 2022	3,941,800	1,590,463

(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

Year ended December 31, 2021

In the second quarter, the Company issued U.S. dollar-denominated non-call 5-year undated subordinated notes (with an interest deferral clause), Euro-denominated non-call 6-year undated subordinated notes (with an interest deferral clause), and U.S. dollar-denominated non-call 10-year undated subordinated notes (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 interest payment is deferrable also at the Company's own discretion without involving payment obligation.

The payment of interests was completed on the interest payment date October 22, 2021, and retained earnings was reduced by ¥4,359 million as distribution to the owners of other equity instruments.

As of December 31, 2021, accrued interest amounted to ¥6,052 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 undated subordinated notes. Gains or losses on derivatives arising from these currency swaps are deemed to increase by ¥2,110 million if JPY depreciates by 1% against the targeted currency, while it is deemed to decrease by ¥2,110 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 ¥1,204 million if the reference JPY rate increases 10 basis points (0.1%), and to decrease by ¥1,213 million if the reference JPY rate decreases 10 basis points (0.1%), while they are deemed to decrease by ¥1,192 million if the reference foreign currency rate increases by 0.1%, and to increase by ¥1,202 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.

Year ended December 31, 2022

The payment of interests of the Bonds was completed on the interest payment dates April 22, 2022 and October 22, 2022, and retained earnings was reduced by ¥15,127 million as distribution to the owners of other equity instruments.

As of December 31, 2022, accrued interest amounted to ¥6,652 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 undated subordinated notes. Gains or losses on derivatives arising from these currency swaps are deemed to increase by ¥2,019 million if JPY depreciates by 1% against the targeted currency, while it is deemed to decrease by ¥2,019 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 if the reference JPY rate increases 10 basis points (0.1%), and to decrease by ¥967 million if the reference JPY rate decreases 10 basis points (0.1%), while they are deemed to decrease by ¥929 million if the reference foreign currency rate increases by 0.1%, and to increase by ¥934 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 retained earnings 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)

	Year ended December 31, 2021	Year ended December 31, 2022
January 1	72,073	0
Acquisition	0	0
Disposal	72,073	—
December 31	0	0

For the year ended December 31, 2021

Issuance of new shares and disposal of treasury stock through third-party allotment

With a view to raising funds for investment and loan funds to Rakuten Mobile, Inc., a subsidiary of the Company, the Company issued 139,737,600 new shares through a third-party allotment to Japan Post Holdings Co., Ltd., Mikitani Kosan, Inc., and Spirit Inc., and disposed of 71,918,900 shares of treasury stock through a third-party allotment to Image Frame Investment (HK) Limited, a wholly-owned subsidiary of Tencent Holdings Limited, and Walmart Inc. in the first quarter ended March 31, 2021, and related payments have been received.

As a result, in the fiscal year ended December 31, 2021, amounts of common stock and capital surplus increased by ¥80,000 million and ¥76,635 million, respectively, while treasury stock decreased by ¥84,759 million, amounting to an increase of ¥241,394 million in equity. Meanwhile, direct issuance costs (after tax effect) associated with the issuance of new shares of ¥953 million has been deducted from capital surplus.

Mikitani Kosan, Inc., and Spirit Inc. fall under related parties as they are controlled by Group Company executives, major (individual) shareholders and their close relatives.

For the year ended December 31, 2022

Not applicable.

32. Revenue

(1) The Breakdown of Revenue

1) Revenue Arising from Contracts with Customers and Other Sources

(Millions of Yen)

	Year ended December 31, 2021	Year ended December 31, 2022
Revenue arising from contracts with customers	¥1,365,327	¥1,595,626
Revenue arising from other sources	316,430	322,252
Total	1,681,757	1,927,878

(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 4.

2) Relationship between Breakdown of Revenue and Segment Revenue

For the year ended December 31, 2021

(Millions of Yen)

		Segment			
		Internet Services	FinTech	Mobile	Total
Main service lines	Rakuten Ichiba and Rakuten Travel	¥389,708	¥—	¥—	¥389,708
	Rakuten Rewards	96,036	—	—	96,036
	Rakuten 24	98,063	—	—	98,063
	Rakuten Books	58,099	—	—	58,099
	Rakuten Card	—	191,517	—	191,517
	Rakuten Bank	—	78,488	—	78,488
	Rakuten Securities	—	86,382	—	86,382
	Rakuten Mobile (Note 2)	—	—	136,077	136,077
	Rakuten Energy (Note 2)	—	—	39,001	39,001
	Others (Note 2, 3)	343,721	135,220	29,445	508,386
	Total	985,627	491,607	204,523	1,681,757
	Revenue arising from contracts with customers	985,627	175,177	204,523	1,365,327
	Revenue arising from other sources	—	316,430	—	316,430

(Notes) 1. Amounts are after eliminations of intercompany transactions.

2. For the fiscal year ended December 31, 2022, revenue of Rakuten Energy, formerly included in Rakuten Mobile and "Others" in the Mobile segment for the previous fiscal year, has been presented as a separate component due to its increased materiality. As a result, revenues of Rakuten Mobile and "Others," which formerly amounted to ¥146,665 million and ¥57,858 million respectively for the previous fiscal year, have been presented separately as ¥136,077 million of Rakuten Mobile, ¥39,001 million of Rakuten Energy, and ¥29,445 million of "Others."

3. With the steady progress in diverse businesses of the Group Companies, the monetary materiality of Rakuten General Insurance and Rakuten Life Insurance decreased relatively for the fiscal year ended December 31, 2022. Accordingly, revenues of Rakuten General Insurance and Rakuten Life Insurance, which amounted to ¥43,446 million and ¥40,857 million respectively and were independently disclosed in the FinTech segment for the previous fiscal year, have been included in "Others". The amount of "Others" for the previous fiscal year has been restated accordingly.

For the year ended 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	—	196,405	—	196,405
	Rakuten Bank	—	92,682	—	92,682
	Rakuten Securities	—	83,291	—	83,291
	Rakuten Mobile	—	—	188,514	188,514
	Rakuten Energy	—	—	68,465	68,465
	Others	360,834	145,469	62,615	568,918
	Total	1,090,437	517,847	319,594	1,927,878
	Revenue arising from contracts with customers	1,090,437	185,595	319,594	1,595,626
	Revenue arising from other sources	—	332,252	—	332,252

(Note) Amounts are after eliminations of intercompany transactions.

Interest and dividend income and other such income are recorded as revenue in accordance with IFRS 9.

For the year ended December 31, 2021, Rakuten Card, Rakuten Bank and Rakuten Securities recorded revenue of ¥137,485 million, ¥50,875 million and ¥35,024 million, respectively, in accordance with IFRS 9. For the year ended December 31, 2022, Rakuten Card, Rakuten Bank and Rakuten Securities recorded revenue of ¥143,560 million, ¥65,153 million and ¥30,682 million, respectively, in accordance with IFRS 9.

The Group Companies together form 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 Group Companies engage 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 Group Companies provide 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 Group Companies, 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, the Group Companies have 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 Group Companies have 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 Group Companies have 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, based on credit card settlement agreements, the Group Companies have obligations to provide payment agency services between merchants and travel-related businesses and users of the Group Companies. These services are to process data for authorization, settlement and cancellation of credit card transactions, etc. Commission revenues arising from these transactions are primarily recognized based on the amount stipulated in the agreement when customers use their credit cards, because the performance obligations are satisfied at that point. Commissions are received within one month and a half after the invoice date 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 to the Rakuten Rewards members (hereinafter "cash back service"), web advertising and targeting mail services for individual consumers. As for its core service, cash back service, Rakuten Rewards is contractually obligated to promote Rakuten Rewards members' purchase 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, and cash back expense for the Rakuten Rewards member are recorded simultaneously as cost of sales. 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 of the customers and Rakuten Rewards members over the transactions including pricing. 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 Books, Rakuten 24

In the Internet Services segment, the Group Companies are the principal in the sales contracts for services including internet shopping sites Rakuten 24 and Rakuten Books where the Group Companies offer 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 Japanese book sales through Rakuten Books, revenues are recognized on a net basis after deducting costs of sales, because the role of the Group Companies 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 Group Companies engage in financial services businesses such as Rakuten Card, Rakuten Bank and Rakuten Securities, recognizing revenues primarily as follows.

Rakuten Card

With regard to Rakuten Card, the Group Companies engage in the credit card business, and receive 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 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 multiplied at fixed rates based on the number of payment installments, etc. are recognized as a revenue over the period when the interest accrues in accordance with IFRS 9.

Rakuten Bank

With regard to Rakuten Bank, the Group Companies provide a wide range of services including internet banking (deposits, loans and foreign exchange) and other services. With regard to loans, the Group Companies handle loans such as personal loans, “Rakuten Bank Super Loans,” and housing loans, “Rakuten Bank home loans (flexible interest rate)”, and earn 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 is 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. Payment for commission revenue is received on the same date of the transactions.

Rakuten Securities

With regard to Rakuten Securities, the Group Companies engage 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 brokerage transactions, margin transactions and sales of investments, performance obligations are satisfied when trades are completed on the trade date or other appropriate date, therefore 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. The Group Companies record net revenue based on fair value on foreign exchange margin transactions, and income received on open contracts of domestic margin transactions, in accordance with IFRS 9.

Mobile

With regard to the Mobile segment, the Group Companies engage in businesses such as Rakuten Mobile and Rakuten Energy, recognizing revenues primarily as follows.

Rakuten Mobile

Rakuten Mobile is an MNO (Mobile Network Operator) and an MVNO (Mobile Virtual Network Operator), and it is mainly engaged in the provision of voice calling and data transmission services (hereinafter "telephone and telecommunications services") and sales of mobile handsets. 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 the handset sales, a delivery 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, subscriber fees according to the actual usage of the circuits are recognized on a monthly basis. For the 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 both performance obligations are received approximately within two months from the billing date.

Rakuten Energy

Rakuten Energy operates Rakuten Denki as an electricity retailer under the Electricity Business Act, and has performance obligations based on agreements to sell electricity to subscribers as customers. Such performance obligations are deemed to be satisfied when the procured electricity is supplied to the customers via General Electricity Transmission and Distribution Utility. Accordingly, electricity usage fees based on customers' electricity usage are recognized as revenues for each month. The fees are calculated mainly by multiplying the amount of electricity used by the regional unit price set for each plan and invoiced to the subscribers on a monthly basis, and such payment is received approximately within two months of the invoiced date. Renewable energy generation promotion charge, which is collected from the customers and paid to the expense sharing coordinating body under the feed-in tariff system for renewable energy, is excluded from both net sales and cost of sales.

(2) Accounts arising from contracts

The breakdown of the balance of contracts of the Group Companies is as follows:

For the year ended December 31, 2021

(Millions of Yen)

	January 1, 2021	December 31, 2021
Receivables arising from contracts with customers (Note 1)		
Notes and accounts receivable — trade	¥243,886	¥307,820
Accounts receivable based on installment contracts, etc. (Note 2)	1,880,374	2,225,794
Other financial assets	332,222	351,006
Total	2,456,482	2,884,620
Contract liabilities (Note 3)	14,725	18,564

(Notes) 1. The amounts of impairment losses recognized for receivables arising from contracts with customers are accounts receivable of ¥1,454 million and loans for credit card business of ¥11,740 million.

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 receivable include commissions received by the Group Companies.

3. Contract liabilities are recognized under "Other liabilities" in the Consolidated Statement of Financial Position.

Contract liabilities involve the receipt of consideration by the Group Companies 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.

Contract liabilities recognized by the Group Companies consist mainly of deferred revenues through EC platform services at Rakuten Ichiba, and deferred annual fee revenues from Rakuten Card holders.

Of the revenues recognized in the previous fiscal year, ¥12,334 million was included in the balance of contract liabilities as of January 1, 2021. In addition, the amount of revenues recognized during the previous fiscal year from the performance obligations satisfied (or partially satisfied) in the past periods was immaterial.

For the year ended December 31, 2022

(Millions of Yen)

	January 1, 2022	December 31, 2022
Receivables arising from contracts with customers (Note 1)		
Notes and accounts receivable — trade	¥307,820	¥364,186
Accounts receivable based on installment contracts, etc. (Note 2)	2,225,794	2,599,504
Other financial assets	351,006	146,051
Total	2,884,620	3,109,741
Contract liabilities (Note 3)	18,564	17,788

(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.

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 receivable include commissions received by the Group Companies.

3 Contract liabilities are recognized under "Other liabilities" in the Consolidated Statement of Financial Position.

Contract liabilities involve the receipt of consideration by the Group Companies 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.

Contract liabilities recognized by the Group Companies consist mainly of 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, ¥16,146 million was included in the balance of contract liabilities as of January 1, 2022. In addition, the amount of revenues recognized during the 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 Group Companies retain no significant transactions for which an individual estimated contract period exceeds one year. In addition, consideration arising from contracts with customers do not comprise any significant amount that is not included in transaction price.

(4) Assets Recognized from the Costs to Obtain or Fulfill Contracts with Customers

(Millions of Yen)

	December 31, 2021	December 31, 2022
Assets recognized from costs to obtain a contract	¥74,943	¥86,577
Assets recognized from costs to fulfill a contract	18,625	22,290
Total	93,568	108,867

The Group Companies recognize 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 Group Companies 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 Group Companies are recognized primarily at Rakuten Card and Rakuten Mobile, and are regularly reviewed for recoverability at the time of recognition and each quarter end.

Such accounting estimates and assumptions 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 Group Companies consider that these accounting 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. Performance costs directly related to contracts consists mainly of costs to issue Rakuten Card. Such costs 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 Group Companies consider whether the carrying amounts of such assets exceed the balance of the consideration which the Group Companies expect to be entitled to from the interchange 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 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 eleven 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 sales of a mobile handset 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 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 Group Companies consider whether the carrying amounts of such assets exceed the balance of the consideration which the Group Companies expect to be entitled to from the interchange for the relevant telephone and telecommunications services 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, 2021 and 2022, amortization associated with the assets arising from contract costs of the Group Companies was ¥18,921 million and ¥20,011 million, respectively.

33. Operating Expenses

The breakdown of operating expenses is as follows:

(Millions of Yen)

	Year ended December 31, 2021	Year ended December 31, 2022
Advertising and promotion expenditures	¥347,959	¥364,948
Employee benefits expenses	267,847	341,232
Depreciation and amortization	197,353	266,118
Communication and maintenance expenses	59,893	72,711
Consignment and subcontract expenses	133,488	175,500
Allowance for doubtful accounts charged to expenses	40,866	36,454
Cost of sales of merchandise and services rendered	669,372	716,778
Interest expenses for finance business	12,705	16,030
Commission fee expenses for finance business	17,008	23,297
Insurance claims and other payments, and provisions of insurance business policy reserves	49,306	47,518
Others	170,622	193,532
Total	1,966,419	2,254,118

Employee expenses (employee benefits expenses) are as follows:

(1) Breakdown of Employee Expenses

(Millions of Yen)

	Year ended December 31, 2021	Year ended December 31, 2022
Wages and salaries	¥218,931	¥272,483
Retirement benefits	17,553	21,415
Legal welfare expenses	13,641	22,106
Share option expenses relating to directors and employees (Note)	9,882	13,057
Other salaries	7,840	12,171
Total	267,847	341,232

(Note) Please refer to Note 40. Share-based Payments.

(2) Number of Employees

	December 31, 2021	December 31, 2022
Number of employees	28,261	32,079

(Note) The number of employees represents the number of persons employed at the Group Companies.

34. Other Income and Other Expenses

(1) Breakdown of Other Income

(Millions of Yen)

	Year ended December 31, 2021	Year ended December 31, 2022
Gains on sales of subsidiaries (Note 1)	¥40,969	¥—
Gains on valuation of investment securities (Note 2)	59,496	—
Others	7,572	8,383
Total	108,037	8,383

(Notes) 1. Valuation gains on investment securities related to investments in FinTech-related companies in the investment business of ¥27,827 million were recorded during the fiscal year ended December 31, 2021.

2. Gains on step acquisitions of ¥59,496 million were recorded as a result of making Altiostar Networks, Inc. a wholly-owned subsidiary of the Company during the fiscal year ended December 31, 2021.

(2) Breakdown of Other Expenses

(Millions of Yen)

	Year ended December 31, 2021	Year ended December 31, 2022
Foreign exchange losses	¥455	¥4,167
Losses on disposal of property, plant and equipment, and intangible assets	1,596	3,076
Losses on valuation of investment securities	—	9,391
Impairment losses	4,239	10,948
Others (Note)	11,811	18,453
Total	18,101	46,035

(Note) Losses on investments in the filmmaking business of ¥4,165 million were recorded for the fiscal year ended December 31, 2021.

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.

35. Financial Income and Financial Expenses

(1) Breakdown of Financial Income

(Millions of Yen)

	Year ended December 31, 2021	Year ended December 31, 2022
Gains on valuation of derivatives (Note)	¥16,650	¥114,890
Gains on valuation of investment securities	1,568	—
Others	686	542
Total	18,904	115,432

(Note) Gain on valuation of derivatives from the collar contract for the prepaid variable share forward transactions of shares of Lyft, Inc. of ¥11,764 million were recorded during the fiscal year ended December 31, 2021. 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. Please refer to 31. Common Stock and Other Capital Items for foreign currency denominated permanent subordinated bonds.

(2) Breakdown of Financial Expenses

(Millions of Yen)

	Year ended December 31, 2021	Year ended December 31, 2022
Interest expenses (Note 1)	¥18,061	¥27,440
Losses on valuation of derivatives	333	169
Losses on valuation of investment securities (Note 2)	4,477	110,956
Foreign exchange losses (Note 3)	10,252	17,141
Others	5,519	1,180
Total	38,642	156,886

(Notes) 1. 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 ¥686 million and of ¥953 million were recorded during the fiscal year ended December 31, 2021 and the fiscal year ended December 31, 2022, respectively. For details, please refer to Note 26. Other Financial Liabilities.

2. Losses on valuation of investment securities related to an investment in Lyft, Inc. of ¥4,477 million and ¥109,341 million were recorded for the fiscal year ended December 31, 2021 and the fiscal year ended December 31, 2022, respectively.

3. Foreign exchange losses of ¥10,252 million and ¥17,141 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, 2021 and the fiscal year ended December 31, 2022, respectively.

36. Earnings per Share

Basic earnings per share are calculated by dividing the net income attributable to owners of the Company by the weighted average number of common stock outstanding during the year. The weighted average number of common stock outstanding during the year does not include treasury stock.

Diluted earnings per share are calculated on the assumption of full conversion of potentially dilutive common stock, adjusted for the weighted average number of common stock outstanding.

The Company has potential common stock related to share options. The number of shares that may be acquired through these share options is calculated at fair value (average share price of the Company during the period) based on the value of the share acquisition rights that would be granted to unexercised share options.

Per share information and the weighted average number of shares used in the calculation of earnings per share are as follows:

	Year ended December 31, 2021			Year ended December 31, 2022		
	Basic	Adjustments	Diluted	Basic	Adjustments	Diluted
Net loss attributable to owners of the Company (Millions of Yen)	¥(133,828)	¥—	¥(133,828)	¥(372,884)	¥(251)	¥(373,135)
Weighted average number of shares (Thousands of shares)	1,527,425	—	1,527,425	1,586,752	—	1,586,752
Loss per share (Yen)	¥(87.62)	—	¥(87.62)	¥(235.00)	(0.16)	¥(235.16)

(Note) For the fiscal year ended December 31, 2021, share acquisition rights corresponding to 34,712 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, 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.

37. Assets Pledged as Collateral and Assets Received as Collateral

(1) Assets Pledged as Collateral

The Group Companies pledge 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 Group Companies are as follows:

(Millions of Yen)

	December 31, 2021	December 31, 2022
Cash and cash equivalents	¥233,773	¥181,813
Loans for credit card business (Note 1)	48,913	90,042
Investment securities for banking business	86,645	639,007
Loans for banking business	1,144,326	1,310,577
Investment securities for insurance business	12,307	—
Investment securities (Note 2)	159,408	45,365
Buildings and accompanying facilities	4,191	4,084
Tools, furniture and fixtures	23,267	34,058
Machinery facilities	174,873	239,094
Other property, plant and equipment	10,654	14,279
Software	13,942	8,408
Other assets	8,040	—
Total	1,920,339	2,566,727

(Notes) 1. Loans for credit card business include securitized receivables.

2. Investment securities as of December 31, 2022 include Lyft shares of ¥143,210 million (¥125,115 million as of December 31, 2021), which Liberty pledged as collateral for other financial liabilities of ¥45,365 million (¥154,706 million as of December 31, 2021) 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 26. Other Financial Liabilities.

The carrying amounts of assets pledged as collateral by the Group Companies mainly for exchange settlements, derivative trading, and commitment lines, and those for margin transactions in the securities business and for issuing electronic money, are as follows:

(Millions of Yen)

	December 31, 2021	December 31, 2022
Investment securities for banking business	¥10,441	¥1,715
Investment securities for insurance business	138,199	102,186
Other financial assets	119,540	185,718
Guarantee deposits for margin transactions and future transactions in the securities business in the amount	132,933	136,716
Collateral for borrowing of share certificates in margin transactions in the securities business	54,411	64,092
Guarantee deposits for issuing electronic money	8,785	14,614
Total	464,309	505,041

(2) Assets Received as Collateral

The Group Companies receive securities pledged as collateral in lieu of guarantee deposits and collateral for other transactions, which are conducted under normal terms and conditions. The Group Companies hold 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 Group Companies as collateral to which the Group Companies held the right to sell or repledge the collateral as of December 31, 2021 and 2022 were ¥1,197,539 million and ¥1,675,558 million, respectively. Within such collateral, fair values of the collateral actually sold or repledged as of December 31, 2021 and 2022 were ¥708,828 million and ¥1,078,533 million, respectively.

38. Hedge Accounting

(1) Fair Value Hedges

Risk of fair value fluctuation as a result of fluctuations in interest rates

In order to offset the risk of fair value fluctuation on certain fixed rate bonds as a result of fluctuations in interest rates, subsidiaries of the Group Companies have entered into fixed-for-floating interest rate swap contracts with financial institutions as fair value hedges. Accordingly, fluctuations in fair value of interest rates as the hedged item may be offset by the fluctuations in fair value of interest rate swaps as the hedging instrument. For the fair values of the interest rate swaps as hedging instruments, please refer to Note 12. Derivative Assets and Derivative Liabilities.

As transactions for fixed rate bonds 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. For the fair values of interest rate swaps as hedging instruments, please refer to Note 12. Derivative Assets and Derivative Liabilities.

Hedged items are as follows:

As of December 31, 2021

(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
Fixed rate bonds	Investment securities for banking business	¥4,308	¥(44)	¥8

As of December 31, 2022

Not applicable.

Risk of fluctuation of fair value of listed investment securities

The Group Companies' subsidiaries engage 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 may be offset by the fluctuation in fair values of the forward contracts as the hedging instrument. Please refer to Note 12. Derivative Assets and Derivative Liabilities for the fair values of forward contracts as the hedging instrument are stated.

As transactions for listed investment securities as the hedged item and those for forward contracts 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, 2023.

Hedged items are as follows:

As of December 31, 2021

(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	¥143,740	¥(6,356)	¥(775)

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)

(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 as 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 Note 12. Derivative Assets and Derivative Liabilities for the fair values of the interest rate swaps as hedging instruments are stated.

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 continue to the year ending December 31, 2027.

Schedule of changes in the amounts recognized in other comprehensive income

(Millions of Yen)

	Year ended December 31, 2021	Year ended December 31, 2022
January 1	¥(847)	¥(653)
Changes for the period	(184)	203
Reclassification to net income (Note)	378	409
December 31	(653)	(41)

(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, subsidiaries of the Group 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 Note 12. Derivative Assets and Derivative Liabilities 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, 2025.

Schedule of changes in the amounts recognized in other comprehensive income

(Millions of Yen)

	Year ended December 31, 2021	Year ended December 31, 2022
January 1	¥1,785	¥395
Changes for the period	4,370	3,184
Reclassification to net income (Note)	(5,760)	(6,584)
December 31	395	3,005

(Note) The amounts reclassified to net income are included in "Revenue" and "Operating expenses" in the Consolidated Statement of Income.

39. 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)

	December 31, 2021	December 31, 2022
Unused balance of lending commitment lines	¥4,837,896	¥5,276,582
Financial guarantee contracts	14,720	12,709
Total	4,852,616	5,289,291

(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)

	December 31, 2021	December 31, 2022
Total commitment line borrowings	¥221,676	¥253,585
Amounts borrowed	8,130	7,785
Unused commitment lines	213,546	245,800

(3) Commitments (Contracts)

Commitments related to acquisition of property, plant and equipment and intangible assets were as follows:

(Millions of Yen)

	December 31, 2021	December 31, 2022
Commitments related to acquisition of property, plant and equipment and intangible assets	¥258,182	¥194,666

40. Share-based Payments

Employee expenses relating to share options recognized by the Group Companies during the years ended December 31, 2021 and 2022 were ¥9,882 million and ¥13,057 million, respectively.

The Group Companies have granted equity-settled share options to its executives and employees, its subsidiaries, 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 Options_01	April 20, 2012	April 19, 2014	¥0.01	—	From April 20, 2014 to April 20, 2022
The 10th Share Options_02	April 20, 2012	April 19, 2015	0.01	—	From April 20, 2015 to April 20, 2022
The 10th Share Options_03	April 20, 2012	April 19, 2016	0.01	—	From April 20, 2016 to April 20, 2022
The 11th Share Options_01	July 1, 2012	March 29, 2016	0.01	—	From March 30, 2016 to March 28, 2022
The 12th Share Options_01	August 1, 2012	March 29, 2016	0.01	—	From March 30, 2016 to March 28, 2022
The 13th Share Options_01	August 20, 2012	March 29, 2016	0.01	—	From March 30, 2016 to March 28, 2022
The 14th Share Options_01	November 21, 2012	November 20, 2014	0.01	—	From November 21, 2014 to November 21, 2022
The 14th Share Options_02	November 21, 2012	November 20, 2015	0.01	—	From November 21, 2015 to November 21, 2022
The 14th Share Options_03	November 21, 2012	November 20, 2016	0.01	—	From November 21, 2016 to November 21, 2022
The 15th Share Options_01	February 1, 2013	March 29, 2016	0.01	—	From March 30, 2016 to March 28, 2022
The 16th Share Options_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 17th Share Options_01	March 1, 2013	March 29, 2016	0.01	—	From March 30, 2016 to March 28, 2022
The 18th Share Options_01	March 1, 2013	March 29, 2016	0.01	—	From March 30, 2016 to March 28, 2022
The 19th Share Options_01	July 1, 2013	March 28, 2017	0.01	78,200	From March 29, 2017 to March 27, 2023
The 20th Share Options_01	December 1, 2013	March 28, 2017	0.01	—	From March 29, 2017 to March 27, 2023
The 21st Share Options_01	February 1, 2014	March 28, 2017	0.01	72,700	From March 29, 2017 to March 27, 2023
The 22nd Share Options_01	March 1, 2014	March 28, 2017	0.01	31,200	From March 29, 2017 to March 27, 2023
The 23rd Share Options_01	March 19, 2014	March 28, 2017	0.01	1,900	From March 29, 2017 to March 27, 2023
The 24th Share Options_01	May 1, 2014	March 28, 2018	0.01	5,000	From March 29, 2018 to March 27, 2024
The 25th Share Options_01	July 1, 2014	March 28, 2018	0.01	115,700	From March 29, 2018 to March 27, 2024
The 26th Share Options_01	September 1, 2014	March 28, 2018	0.01	—	From March 29, 2018 to March 27, 2024
The 27th Share Options_01	September 1, 2014	March 28, 2018	0.01	—	From March 29, 2018 to March 27, 2024
The 28th Share Options_01	October 1, 2014	March 28, 2018	0.01	—	From March 29, 2018 to March 27, 2024
The 29th Share Options_01	October 1, 2014	March 28, 2018	0.01	—	From March 29, 2018 to March 27, 2024
The 30th Share Options_01	November 1, 2014	March 28, 2018	0.01	87,200	From March 29, 2018 to March 27, 2024
The 31st Share Options_01	November 1, 2014	March 28, 2018	0.01	—	From March 29, 2018 to March 27, 2024
The 32nd Share Options_01	November 1, 2014	March 28, 2018	0.01	—	From March 29, 2018 to March 27, 2024
The 33rd Share Options_01	February 1, 2015	March 28, 2018	0.01	106,700	From March 29, 2018 to March 27, 2024
The 34th Share Options_01	March 1, 2015	March 28, 2018	0.01	—	From March 29, 2018 to March 27, 2024
The 35th Share Options_01	March 1, 2015	March 28, 2018	0.01	—	From March 29, 2018 to March 27, 2024
The 36th Share Options_01	March 1, 2015	March 28, 2018	0.01	51,900	From March 29, 2018 to March 27, 2024
The 37th Share Options_01	June 1, 2015	May 31, 2016	0.01	—	From June 1, 2016 to June 1, 2025

Name	Grant date	Vesting date	Exercise price (Yen)	Balance of outstanding options (Note)	Exercise period
The 37th Share Options_02	June 1, 2015	May 31, 2017	0.01	—	From June 1, 2017 to June 1, 2025
The 37th Share Options_03	June 1, 2015	May 31, 2018	0.01	—	From June 1, 2018 to June 1, 2025
The 37th Share Options_04	June 1, 2015	May 31, 2019	0.01	—	From June 1, 2019 to June 1, 2025
The 38th Share Options_01	July 1, 2015	June 30, 2016	0.01	—	From July 1, 2016 to July 1, 2025
The 38th Share Options_02	July 1, 2015	June 30, 2017	0.01	900	From July 1, 2017 to July 1, 2025
The 38th Share Options_03	July 1, 2015	June 30, 2018	0.01	—	From July 1, 2018 to July 1, 2025
The 38th Share Options_04	July 1, 2015	June 30, 2019	0.01	—	From July 1, 2019 to July 1, 2025
The 39th Share Options_01	August 1, 2015	July 31, 2016	0.01	1,000	From August 1, 2016 to August 1, 2025
The 39th Share Options_02	August 1, 2015	July 31, 2017	0.01	8,500	From August 1, 2017 to August 1, 2025
The 39th Share Options_03	August 1, 2015	July 31, 2018	0.01	35,200	From August 1, 2018 to August 1, 2025
The 39th Share Options_04	August 1, 2015	July 31, 2019	0.01	93,200	From August 1, 2019 to August 1, 2025
The 40th Share Options_01	August 1, 2015	March 27, 2019	0.01	100	From March 28, 2019 to March 26, 2025
The 41st Share Options_01	October 1, 2015	September 30, 2016	0.01	—	From October 1, 2016 to October 1, 2025
The 41st Share Options_02	October 1, 2015	September 30, 2017	0.01	—	From October 1, 2017 to October 1, 2025
The 41st Share Options_03	October 1, 2015	September 30, 2018	0.01	—	From October 1, 2018 to October 1, 2025
The 41st Share Options_04	October 1, 2015	September 30, 2019	0.01	—	From October 1, 2019 to October 1, 2025
The 42nd Share Options_01	November 1, 2015	October 31, 2016	0.01	500	From November 1, 2016 to October 31, 2025
The 42nd Share Options_02	November 1, 2015	October 31, 2017	0.01	2,100	From November 1, 2017 to October 31, 2025
The 42nd Share Options_03	November 1, 2015	October 31, 2018	0.01	2,600	From November 1, 2018 to October 31, 2025
The 42nd Share Options_04	November 1, 2015	October 31, 2019	0.01	4,200	From November 1, 2019 to October 31, 2025
The 43rd Share Options_01	November 1, 2015	October 31, 2016	0.01	1,000	From November 1, 2016 to October 31, 2025

Name	Grant date	Vesting date	Exercise price (Yen)	Balance of outstanding options (Note)	Exercise period
The 43rd Share Options_02	November 1, 2015	October 31, 2017	0.01	1,300	From November 1, 2017 to October 31, 2025
The 43rd Share Options_03	November 1, 2015	October 31, 2018	0.01	2,100	From November 1, 2018 to October 31, 2025
The 43rd Share Options_04	November 1, 2015	October 31, 2019	0.01	2,400	From November 1, 2019 to October 31, 2025
The 44th Share Options_01	February 1, 2016	January 31, 2017	0.01	9,000	From February 1, 2017 to January 30, 2026
The 44th Share Options_02	February 1, 2016	January 31, 2018	0.01	30,900	From February 1, 2018 to January 30, 2026
The 44th Share Options_03	February 1, 2016	January 31, 2019	0.01	70,800	From February 1, 2019 to January 30, 2026
The 44th Share Options_04	February 1, 2016	January 31, 2020	0.01	139,700	From February 1, 2020 to January 30, 2026
The 45th Share Options_01	February 1, 2016	March 27, 2019	0.01	300	From March 28, 2019 to March 26, 2025
The 46th Share Options_01	March 1, 2016	February 28, 2017	0.01	11,800	From March 1, 2017 to February 27, 2026
The 46th Share Options_02	March 1, 2016	February 28, 2018	0.01	16,200	From March 1, 2018 to February 27, 2026
The 46th Share Options_03	March 1, 2016	February 28, 2019	0.01	33,300	From March 1, 2019 to February 27, 2026
The 46th Share Options_04	March 1, 2016	February 29, 2020	0.01	40,800	From March 1, 2020 to February 27, 2026
The 47th Share Options_01	March 1, 2016	March 27, 2019	0.01	1,500	From March 28, 2019 to March 26, 2025
The 48th Share Options_01	March 1, 2016	March 27, 2019	0.01	1,500	From March 28, 2019 to March 26, 2025
The 49th Share Options_01	May 1, 2016	April 30, 2017	0.01	600	From May 1, 2017 to May 1, 2026
The 49th Share Options_02	May 1, 2016	April 30, 2018	0.01	1,300	From May 1, 2018 to May 1, 2026
The 49th Share Options_03	May 1, 2016	April 30, 2019	0.01	1,600	From May 1, 2019 to May 1, 2026
The 49th Share Options_04	May 1, 2016	April 30, 2020	0.01	2,400	From May 1, 2020 to May 1, 2026
The 50th Share Options_01	August 1, 2016	July 31, 2017	0.01	2,200	From August 1, 2017 to July 31, 2026
The 50th Share Options_02	August 1, 2016	July 31, 2018	0.01	38,400	From August 1, 2018 to July 31, 2026
The 50th Share Options_03	August 1, 2016	July 31, 2019	0.01	78,500	From August 1, 2019 to July 31, 2026

Name	Grant date	Vesting date	Exercise price (Yen)	Balance of outstanding options (Note)	Exercise period
The 50th Share Options_04	August 1, 2016	July 31, 2020	0.01	185,800	From August 1, 2020 to July 31, 2026
The 51st Share Options_01	September 1, 2016	March 30, 2020	0.01	900	From March 31, 2020 to March 29, 2026
The 52nd Share Options_01	November 1, 2016	October 31, 2017	0.01	300	From November 1, 2017 to October 30, 2026
The 52nd Share Options_02	November 1, 2016	October 31, 2018	0.01	1,000	From November 1, 2018 to October 30, 2026
The 52nd Share Options_03	November 1, 2016	October 31, 2019	0.01	2,700	From November 1, 2019 to October 30, 2026
The 52nd Share Options_04	November 1, 2016	October 31, 2020	0.01	2,700	From November 1, 2020 to October 30, 2026
The 53rd Share Options_01	November 1, 2016	October 31, 2017	0.01	—	From November 1, 2017 to October 30, 2026
The 53rd Share Options_02	November 1, 2016	October 31, 2018	0.01	—	From November 1, 2018 to October 30, 2026
The 53rd Share Options_03	November 1, 2016	October 31, 2019	0.01	—	From November 1, 2019 to October 30, 2026
The 53rd Share Options_04	November 1, 2016	October 31, 2020	0.01	1,300	From November 1, 2020 to October 30, 2026
The 54th Share Options_01	February 1, 2017	March 30, 2020	0.01	1,100	From March 31, 2020 to March 29, 2026
The 55th Share Options_01	February 1, 2017	January 31, 2018	0.01	4,500	From February 1, 2018 to February 1, 2027
The 55th Share Options_02	February 1, 2017	January 31, 2019	0.01	42,100	From February 1, 2019 to February 1, 2027
The 55th Share Options_03	February 1, 2017	January 31, 2020	0.01	97,400	From February 1, 2020 to February 1, 2027
The 55th Share Options_04	February 1, 2017	January 31, 2021	0.01	204,800	From February 1, 2021 to February 1, 2027
The 56th Share Options_01	March 1, 2017	February 28, 2018	0.01	1,600	From March 1, 2018 to March 1, 2027
The 56th Share Options_02	March 1, 2017	February 28, 2019	0.01	3,000	From March 1, 2019 to March 1, 2027
The 56th Share Options_03	March 1, 2017	February 29, 2020	0.01	5,300	From March 1, 2020 to March 1, 2027
The 56th Share Options_04	March 1, 2017	February 28, 2021	0.01	8,000	From March 1, 2021 to March 1, 2027
The 57th Share Options_01	March 1, 2017	March 30, 2020	0.01	1,800	From March 31, 2020 to March 29, 2026
The 58th Share Options_01	March 1, 2017	March 30, 2020	0.01	1,800	From March 31, 2020 to March 29, 2026

Name	Grant date	Vesting date	Exercise price (Yen)	Balance of outstanding options (Note)	Exercise period
The 59th Share Options_01	March 1, 2017	February 28, 2018	0.01	25,300	From March 1, 2018 to March 1, 2027
The 59th Share Options_02	March 1, 2017	February 28, 2019	0.01	56,100	From March 1, 2019 to March 1, 2027
The 59th Share Options_03	March 1, 2017	February 29, 2020	0.01	92,700	From March 1, 2020 to March 1, 2027
The 59th Share Options_04	March 1, 2017	February 28, 2021	0.01	170,700	From March 1, 2021 to March 1, 2027
The 60th Share Options_01	May 1, 2017	April 30, 2018	0.01	1,700	From May 1, 2018 to April 30, 2027
The 60th Share Options_02	May 1, 2017	April 30, 2019	0.01	2,800	From May 1, 2019 to April 30, 2027
The 60th Share Options_03	May 1, 2017	April 30, 2020	0.01	4,300	From May 1, 2020 to April 30, 2027
The 60th Share Options_04	May 1, 2017	April 30, 2021	0.01	5,300	From May 1, 2021 to April 30, 2027
The 61st Share Options_01	August 1, 2017	March 30, 2021	0.01	900	From March 31, 2021 to March 29, 2027
The 62nd Share Options_01	August 1, 2017	July 31, 2018	0.01	5,200	From August 1, 2018 to July 30, 2027
The 62nd Share Options_02	August 1, 2017	July 31, 2019	0.01	36,500	From August 1, 2019 to July 30, 2027
The 62nd Share Options_03	August 1, 2017	July 31, 2020	0.01	107,100	From August 1, 2020 to July 30, 2027
The 62nd Share Options_04	August 1, 2017	July 31, 2021	0.01	222,200	From August 1, 2021 to July 30, 2027
The 63rd Share Options_01	November 1, 2017	October 31, 2018	0.01	900	From November 1, 2018 to November 1, 2027
The 63rd Share Options_02	November 1, 2017	October 31, 2019	0.01	5,100	From November 1, 2019 to November 1, 2027
The 63rd Share Options_03	November 1, 2017	October 31, 2020	0.01	2,600	From November 1, 2020 to November 1, 2027
The 63rd Share Options_04	November 1, 2017	October 31, 2021	0.01	6,800	From November 1, 2021 to November 1, 2027
The 64th Share Options_01	November 1, 2017	October 31, 2018	0.01	1,100	From November 1, 2018 to November 1, 2027
The 64th Share Options_02	November 1, 2017	October 31, 2019	0.01	1,900	From November 1, 2019 to November 1, 2027
The 64th Share Options_03	November 1, 2017	October 31, 2020	0.01	2,700	From November 1, 2020 to November 1, 2027
The 64th Share Options_04	November 1, 2017	October 31, 2021	0.01	4,700	From November 1, 2021 to November 1, 2027

Name	Grant date	Vesting date	Exercise price (Yen)	Balance of outstanding options (Note)	Exercise period
The 65th Share Options_01	January 1, 2018	December 31, 2018	0.01	800	From January 1, 2019 to December 29, 2027
The 65th Share Options_02	January 1, 2018	December 31, 2019	0.01	1,400	From January 1, 2020 to December 29, 2027
The 65th Share Options_03	January 1, 2018	December 31, 2020	0.01	3,300	From January 1, 2021 to December 29, 2027
The 65th Share Options_04	January 1, 2018	December 31, 2021	0.01	10,800	From January 1, 2022 to December 29, 2027
The 66th Share Options_01	February 1, 2018	March 30, 2021	0.01	1,100	From March 31, 2021 to March 29, 2027
The 67th Share Options_01	February 1, 2018	January 31, 2019	0.01	7,000	From February 1, 2019 to February 1, 2028
The 67th Share Options_02	February 1, 2018	January 31, 2020	0.01	80,600	From February 1, 2020 to February 1, 2028
The 67th Share Options_03	February 1, 2018	January 31, 2021	0.01	135,500	From February 1, 2021 to February 1, 2028
The 67th Share Options_04	February 1, 2018	January 31, 2022	0.01	321,500	From February 1, 2022 to February 1, 2028
The 68th Share Options_01	March 1, 2018	February 28, 2019	0.01	3,100	From March 1, 2019 to March 1, 2028
The 68th Share Options_02	March 1, 2018	February 29, 2020	0.01	6,500	From March 1, 2020 to March 1, 2028
The 68th Share Options_03	March 1, 2018	February 28, 2021	0.01	11,500	From March 1, 2021 to March 1, 2028
The 68th Share Options_04	March 1, 2018	February 28, 2022	0.01	23,500	From March 1, 2022 to March 1, 2028
The 69th Share Options_01	March 1, 2018	March 30, 2021	0.01	2,100	From March 31, 2021 to March 29, 2027
The 70th Share Options_01	March 1, 2018	March 30, 2021	0.01	4,200	From March 31, 2021 to March 29, 2027
The 71st Share Options_01	March 1, 2018	February 28, 2019	0.01	68,300	From March 1, 2019 to March 1, 2028
The 71st Share Options_02	March 1, 2018	February 29 2020	0.01	98,000	From March 1, 2020 to March 1, 2028
The 71st Share Options_03	March 1, 2018	February 28, 2021	0.01	222,500	From March 1, 2021 to March 1, 2028
The 71st Share Options_04	March 1, 2018	February 28, 2022	0.01	307,900	From March 1, 2022 to March 1, 2028
The 72nd Share Options_01	May 1, 2018	April 30, 2019	0.01	27,000	From May 1, 2019 to May 1, 2028
The 72nd Share Options_02	May 1, 2018	April 30, 2020	0.01	40,100	From May 1, 2020 to May 1, 2028

Name	Grant date	Vesting date	Exercise price (Yen)	Balance of outstanding options (Note)	Exercise period
The 72nd Share Options_03	May 1, 2018	April 30, 2021	0.01	85,000	From May 1, 2021 to May 1, 2028
The 72nd Share Options_04	May 1, 2018	April 30, 2022	0.01	134,100	From May 1, 2022 to May 1, 2028
The 73rd Share Options_01	August 1, 2018	July 31, 2019	0.01	21,100	From August 1, 2019 to August 1, 2028
The 73rd Share Options_02	August 1, 2018	July 31, 2020	0.01	199,400	From August 1, 2020 to August 1, 2028
The 73rd Share Options_03	August 1, 2018	July 31, 2021	0.01	180,100	From August 1, 2021 to August 1, 2028
The 73rd Share Options_04	August 1, 2018	July 31, 2022	0.01	589,000	From August 1, 2022 to August 1, 2028
The 74th Share Options_01	November 1, 2018	October 31, 2019	0.01	3,800	From November 1, 2019 to November 1, 2028
The 74th Share Options_02	November 1, 2018	October 31, 2020	0.01	4,600	From November 1, 2020 to November 1, 2028
The 74th Share Options_03	November 1, 2018	October 31, 2021	0.01	8,100	From November 1, 2021 to November 1, 2028
The 74th Share Options_04	November 1, 2018	October 31, 2022	0.01	23,200	From November 1, 2022 to November 1, 2028
The 75th Share Options_01	November 1, 2018	October 31, 2019	0.01	900	From November 1, 2019 to November 1, 2028
The 75th Share Options_02	November 1, 2018	October 31, 2020	0.01	1,200	From November 1, 2020 to November 1, 2028
The 75th Share Options_03	November 1, 2018	October 31, 2021	0.01	1,800	From November 1, 2021 to November 1, 2028
The 75th Share Options_04	November 1, 2018	October 31, 2022	0.01	14,700	From November 1, 2022 to November 1, 2028
The 76th Share Options_01	February 1, 2019	January 31, 2020	0.01	31,800	From February 1, 2020 to February 1, 2029
The 76th Share Options_02	February 1, 2019	January 31, 2021	0.01	258,000	From February 1, 2021 to February 1, 2029
The 76th Share Options_03	February 1, 2019	January 31, 2022	0.01	291,800	From February 1, 2022 to February 1, 2029
The 76th Share Options_04	February 1, 2019	January 31, 2023	0.01	1,403,100	From February 1, 2023 to February 1, 2029
The 77th Share Options_01	March 1, 2019	February 29, 2020	0.01	4,500	From March 1, 2020 to March 1, 2029
The 77th Share Options_02	March 1, 2019	February 28, 2021	0.01	11,100	From March 1, 2021 to March 1, 2029
The 77th Share Options_03	March 1, 2019	February 28, 2022	0.01	24,400	From March 1, 2022 to March 1, 2029

Name	Grant date	Vesting date	Exercise price (Yen)	Balance of outstanding options (Note)	Exercise period
The 77th Share Options_04	March 1, 2019	February 28, 2023	0.01	78,000	From March 1, 2023 to March 1, 2029
The 78th Share Options_01	March 1, 2019	February 29, 2020	0.01	—	From March 1, 2020 to March 1, 2029
The 78th Share Options_02	March 1, 2019	February 28, 2021	0.01	100	From March 1, 2021 to March 1, 2029
The 78th Share Options_03	March 1, 2019	February 28, 2022	0.01	3,300	From March 1, 2022 to March 1, 2029
The 78th Share Options_04	March 1, 2019	February 28, 2023	0.01	39,600	From March 1, 2023 to March 1, 2029
The 79th Share Options_01	May 1, 2019	April 30, 2020	0.01	14,800	From May 1, 2020 to May 1, 2029
The 79th Share Options_02	May 1, 2019	April 30, 2021	0.01	31,200	From May 1, 2021 to May 1, 2029
The 79th Share Options_03	May 1, 2019	April 30, 2022	0.01	77,700	From May 1, 2022 to May 1, 2029
The 79th Share Options_04	May 1, 2019	April 30, 2023	0.01	687,300	From May 1, 2023 to May 1, 2029
The 80th Share Options_01	May 1, 2019	April 30, 2020	0.01	3,600	From May 1, 2020 to May 1, 2029
The 80th Share Options_02	May 1, 2019	April 30, 2021	0.01	4,800	From May 1, 2021 to May 1, 2029
The 80th Share Options_03	May 1, 2019	April 30, 2022	0.01	23,400	From May 1, 2022 to May 1, 2029
The 80th Share Options_04	May 1, 2019	April 30, 2023	0.01	33,600	From May 1, 2023 to May 1, 2029
The 81st Share Options_01	May 1, 2019	October 31, 2019	0.01	835,000	From November 1, 2019 to May 1, 2059
The 82nd Share Options_01	August 1, 2019	July 31, 2020	0.01	11,200	From August 1, 2020 to August 1, 2029
The 82nd Share Options_02	August 1, 2019	July 31, 2021	0.01	91,700	From August 1, 2021 to August 1, 2029
The 82nd Share Options_03	August 1, 2019	July 31, 2022	0.01	286,400	From August 1, 2022 to August 1, 2029
The 82nd Share Options_04	August 1, 2019	July 31, 2023	0.01	838,100	From August 1, 2023 to August 1, 2029
The 83rd Share Options_01	November 1, 2019	October 31, 2020	0.01	53,200	From November 1, 2020 to November 1, 2029
The 83rd Share Options_02	November 1, 2019	October 31, 2021	0.01	96,200	From November 1, 2021 to November 1, 2029
The 83rd Share Options_03	November 1, 2019	October 31, 2022	0.01	248,800	From November 1, 2022 to November 1, 2029

Name	Grant date	Vesting date	Exercise price (Yen)	Balance of outstanding options (Note)	Exercise period
The 83rd Share Options_04	November 1, 2019	October 31, 2023	0.01	858,200	From November 1, 2023 to November 1, 2029
The 84th Share Options_01	November 1, 2019	October 31, 2020	0.01	7,200	From November 1, 2020 to November 1, 2029
The 84th Share Options_02	November 1, 2019	October 31, 2021	0.01	9,600	From November 1, 2021 to November 1, 2029
The 84th Share Options_03	November 1, 2019	October 31, 2022	0.01	19,200	From November 1, 2022 to November 1, 2029
The 84th Share Options_04	November 1, 2019	October 31, 2023	0.01	41,400	From November 1, 2023 to November 1, 2029
The 85th Share Options_01	February 1, 2020	January 31, 2021	0.01	35,700	From February 1, 2021 to February 1, 2030
The 85th Share Options_02	February 1, 2020	January 31, 2022	0.01	284,100	From February 1, 2022 to February 1, 2030
The 85th Share Options_03	February 1, 2020	January 31, 2023	0.01	648,700	From February 1, 2023 to February 1, 2030
The 85th Share Options_04	February 1, 2020	January 31, 2024	0.01	1,365,700	From February 1, 2024 to February 1, 2030
The 86th Share Options_01	March 1, 2020	February 28, 2021	0.01	15,000	From March 1, 2021 to March 1, 2030
The 86th Share Options_02	March 1, 2020	February 28, 2022	0.01	23,100	From March 1, 2022 to March 1, 2030
The 86th Share Options_03	March 1, 2020	February 28, 2023	0.01	95,200	From March 1, 2023 to March 1, 2030
The 86th Share Options_04	March 1, 2020	February 29, 2024	0.01	111,500	From March 1, 2024 to March 1, 2030
The 87th Share Options_01	March 1, 2020	March 1, 2020	0.01	734,200	From March 1, 2020 to March 1, 2060
The 88th Share Options_01	May 1, 2020	April 30, 2021	0.01	90,700	From May 1, 2021 to May 1, 2030
The 88h Share Options_02	May 1, 2020	April 30, 2022	0.01	179,100	From May 1, 2022 to May 1, 2030
The 88h Share Options_03	May 1, 2020	April 30, 2023	0.01	1,179,700	From May 1, 2023 to May 1, 2030
The 88th Share Options_04	May 1, 2020	April 30, 2024	0.01	1,376,500	From May 1, 2024 to May 1, 2030
The 89th Share Options_01	May 1, 2020	May 1, 2020	0.01	173,100	From May 1, 2020 to May 1, 2060
The 90th Share Options_01	August 1, 2020	July 31, 2021	0.01	26,000	From August 1, 2021 to August 1, 2030
The 90th Share Options_02	August 1, 2020	July 31, 2022	0.01	357,600	From August 1, 2022 to August 1, 2030

Name	Grant date	Vesting date	Exercise price (Yen)	Balance of outstanding options (Note)	Exercise period
The 90th Share Options_03	August 1, 2020	July 31, 2023	0.01	662,400	From August 1, 2023 to August 1, 2030
The 90th Share Options_04	August 1, 2020	July 31, 2024	0.01	1,447,200	From August 1, 2024 to August 1, 2030
The 91st Share Options_01	November 1, 2020	October 31, 2021	0.01	25,600	From November 1, 2021 to November 1, 2030
The 91st Share Options_02	November 1, 2020	October 31, 2022	0.01	48,400	From November 1, 2022 to November 1, 2030
The 91st Share Options_03	November 1, 2020	October 31, 2023	0.01	114,700	From November 1, 2023 to November 1, 2030
The 91st Share Options_04	November 1, 2020	October 31, 2024	0.01	139,200	From November 1, 2024 to November 1, 2030
The 92nd Share Options_01	November 1, 2020	October 31, 2021	0.01	23,700	From November 1, 2021 to November 1, 2030
The 92nd Share Options_02	November 1, 2020	October 31, 2022	0.01	42,600	From November 1, 2022 to November 1, 2030
The 92nd Share Options_03	November 1, 2020	October 31, 2023	0.01	81,900	From November 1, 2023 to November 1, 2030
The 92nd Share Options_04	November 1, 2020	October 31, 2024	0.01	95,700	From November 1, 2024 to November 1, 2030
The 93rd Share Options_01	February 1, 2021	January 31, 2022	0.01	51,500	From February 1, 2022 to February 1, 2031
The 93rd Share Options_02	February 1, 2021	January 31, 2023	0.01	584,700	From February 1, 2023 to February 1, 2031
The 93rd Share Options_03	February 1, 2021	January 31, 2024	0.01	807,100	From February 1, 2024 to February 1, 2031
The 93rd Share Options_04	February 1, 2021	January 31, 2025	0.01	1,700,900	From February 1, 2025 to February 1, 2031
The 94th Share Options_01	March 1, 2021	February 28, 2022	0.01	17,500	From March 1, 2022 to March 1, 2031
The 94th Share Options_02	March 1, 2021	February 28, 2023	0.01	74,600	From March 1, 2023 to March 1, 2031
The 94th Share Options_03	March 1, 2021	February 29, 2024	0.01	110,400	From March 1, 2024 to March 1, 2031
The 94th Share Options_04	March 1, 2021	February 28, 2025	0.01	135,200	From March 1, 2025 to March 1, 2031
The 95th Share Options_01	March 1, 2021	March 1, 2021	0.01	621,600	From March 1, 2021 to March 1, 2061
The 96th Share Options_01	May 1, 2021	April 30, 2022	0.01	197,600	From May 1, 2022 to May 1, 2031
The 96th Share Options_02	May 1, 2021	April 30, 2023	0.01	975,800	From May 1, 2023 to May 1, 2031

Name	Grant date	Vesting date	Exercise price (Yen)	Balance of outstanding options (Note)	Exercise period
The 96th Share Options_03	May 1, 2021	April 30, 2024	0.01	1,488,200	From May 1, 2024 to May 1, 2031
The 96th Share Options_04	May 1, 2021	April 30, 2025	0.01	1,824,300	From May 1, 2025 to May 1, 2031
The 97th Share Options_01	May 1, 2021	May 1, 2021	0.01	204,800	From May 1, 2021 to May 1, 2061
The 98th Share Options_01	August 1, 2021	July 31, 2022	0.01	55,600	From August 1, 2022 to August 1, 2031
The 98th Share Options_02	August 1, 2021	July 31, 2023	0.01	344,300	From August 1, 2023 to August 1, 2031
The 98th Share Options_03	August 1, 2021	July 31, 2024	0.01	812,000	From August 1, 2024 to August 1, 2031
The 98th Share Options_04	August 1, 2021	July 31, 2025	0.01	1,499,400	From August 1, 2025 to August 1, 2031
The 99th Share Options_01	November 1, 2021	October 31, 2022	0.01	168,800	From November 1, 2022 to November 1, 2031
The 99th Share Options_02	November 1, 2021	October 31, 2023	0.01	280,900	From November 1, 2023 to November 1, 2031
The 99th Share Options_03	November 1, 2021	October 31, 2024	0.01	426,200	From November 1, 2024 to November 1, 2031
The 99th Share Options_04	November 1, 2021	October 31, 2025	0.01	534,500	From November 1, 2025 to November 1, 2031
The 100th Share Options_01	November 1, 2021	October 31, 2022	0.01	34,000	From November 1, 2022 to November 1, 2031
The 100th Share Options_02	November 1, 2021	October 31, 2023	0.01	58,700	From November 1, 2023 to November 1, 2031
The 100th Share Options_03	November 1, 2021	October 31, 2024	0.01	88,100	From November 1, 2024 to November 1, 2031
The 100th Share Options_04	November 1, 2021	October 31, 2025	0.01	103,800	From November 1, 2025 to November 1, 2031
The 101st Share Options_01	February 1, 2022	January 31, 2023	0.01	179,200	From February 1, 2023 to February 1, 2032
The 101st Share Options_02	February 1, 2022	January 31, 2024	0.01	629,000	From February 1, 2024 to February 1, 2032
The 101st Share Options_03	February 1, 2022	January 31, 2025	0.01	1,168,700	From February 1, 2025 to February 1, 2032
The 101st Share Options_04	February 1, 2022	January 31, 2026	0.01	2,121,700	From February 1, 2026 to February 1, 2032
The 102nd Share Options_01	February 1, 2022	January 31, 2023	0.01	14,400	From February 1, 2023 to February 1, 2032
The 102nd Share Options_02	February 1, 2022	January 31, 2024	0.01	20,500	From February 1, 2024 to February 1, 2032

Name	Grant date	Vesting date	Exercise price (Yen)	Balance of outstanding options (Note)	Exercise period
The 102nd Share Options_03	February 1, 2022	January 31, 2025	0.01	30,800	From February 1, 2025 to February 1, 2032
The 102nd Share Options_04	February 1, 2022	January 31, 2026	0.01	36,600	From February 1, 2026 to February 1, 2032
The 103rd Share Options_01	March 1, 2022	February 28, 2023	0.01	46,800	From March 1, 2023 to March 1, 2032
The 103rd Share Options_02	March 1, 2022	February 29, 2024	0.01	66,300	From March 1, 2024 to March 1, 2032
The 103rd Share Options_03	March 1, 2022	February 28, 2025	0.01	100,100	From March 1, 2025 to March 1, 2032
The 103rd Share Options_04	March 1, 2022	February 28, 2026	0.01	119,800	From March 1, 2026 to March 1, 2032
The 104th Share Options_01	March 1, 2022	March 1, 2022	0.01	565,800	From March 1, 2022 to March 1, 2062
The 105th Share Options_01	May 1, 2022	April 30, 2023	0.01	1,322,100	From May 1, 2023 to May 1, 2032
The 105th Share Options_02	May 1, 2022	April 30, 2024	0.01	1,882,900	From May 1, 2024 to May 1, 2032
The 105th Share Options_03	May 1, 2022	April 30, 2025	0.01	2,843,700	From May 1, 2025 to May 1, 2032
The 105th Share Options_04	May 1, 2022	April 30, 2026	0.01	3,445,400	From May 1, 20266 to May 1, 2032
The 106th Share Options_01	May 1, 2022	May 1, 2022	0.01	250,700	From May 1, 2022 to May 1, 2062
The 107th Share Options_01	August 1, 2022	July 31, 2023	0.01	301,700	From August 1, 2023 to August 1, 2032
The 107th Share Options_02	August 1, 2022	July 31, 2024	0.01	1,530,400	From August 1, 2024 to August 1, 2032
The 107th Share Options_03	August 1, 2022	July 31, 2025	0.01	1,513,900	From August 1, 2025 to August 1, 2032
The 107th Share Options_04	August 1, 2022	July 31, 2026	0.01	3,217,400	From August 1, 2026 to August 1, 2032
The 108th Share Options_01	August 1, 2022	July 31, 2023	0.01	6,500	From August 1, 2023 to August 1, 2032
The 108th Share Options_02	August 1, 2022	July 31, 2024	0.01	9,500	From August 1, 2024 to August 1, 2032
The 108th Share Options_03	August 1, 2022	July 31, 2025	0.01	14,100	From August 1, 2025 to August 1, 2032
The 108th Share Options_04	August 1, 2022	July 31, 2026	0.01	17,200	From August 1, 2026 to August 1, 2032
The 109th Share Options_01	November 1, 2022	October 31, 2023	0.01	771,800	From November 1, 2023 to November 1, 2032

Name	Grant date	Vesting date	Exercise price (Yen)	Balance of outstanding options (Note)	Exercise period
The 109th Share Options_02	November 1, 2022	October 31, 2024	0.01	999,200	From November 1, 2024 to November 1, 2032
The 109th Share Options_03	November 1, 2022	October 31, 2025	0.01	1,526,800	From November 1, 2025 to November 1, 2032
The 109th Share Options_04	November 1, 2022	October 31, 2026	0.01	1,865,900	From November 1, 2026 to November 1, 2032
The 110th Share Options_01	November 1, 2022	October 31, 2023	0.01	35,200	From November 1, 2023 to November 1, 2032
The 110th Share Options_02	November 1, 2022	October 31, 2024	0.01	50,200	From November 1, 2024 to November 1, 2032
The 110th Share Options_03	November 1, 2022	October 31, 2025	0.01	82,800	From November 1, 2025 to November 1, 2032
The 110th Share Options_04	November 1, 2022	October 31, 2026	0.01	99,200	From November 1, 2026 to November 1, 2032

(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, 2021		Year ended December 31, 2022	
	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	44,167,000	¥0.01	46,870,500	¥0.01
Granted	17,887,400	0.01	28,945,200	0.01
Forfeited	7,606,100	0.01	6,050,200	0.01
Exercised	7,577,800	0.01	8,727,900	0.01
Expired	—	—	62,400	0.01
Outstanding balance at the end of the year	46,870,500	0.01	60,975,200	0.01
Exercisable amount at the end of the year	10,183,300	0.01	11,818,600	0.01
Weighted average remaining contract years		10.10 years		9.89 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 ¥1,243 and ¥825 for the years ended December 31, 2021 and 2022, respectively.

The expiration dates and the exercise prices of the outstanding options related to share options granted by the Company are as follows:

	December 31, 2021		December 31, 2022	
	Exercise price (Yen)	Number of options (Note)	Exercise price (Yen)	Number of options (Note)
2022	¥0.01	235,300	¥—	—
2023	0.01	288,600	0.01	184,000
2024	0.01	474,000	0.01	366,500
2025	0.01	214,500	0.01	158,400
2026	0.01	983,000	0.01	676,900
2027	0.01	1,684,700	0.01	1,147,000
2028	0.01	5,231,800	0.01	2,620,000
2029	0.01	8,390,700	0.01	5,583,300
2030	0.01	10,991,000	0.01	8,470,000
2031	0.01	15,107,900	0.01	12,374,100
2032	—	—	0.01	26,009,800
2059	0.01	1,068,100	0.01	835,000
2060	0.01	1,139,500	0.01	907,300
2061	0.01	1,061,400	0.01	826,400
2062	—	—	0.01	816,500
Balance at end of the period	—	46,870,500	—	60,975,200

(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, 2022. 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.

	December 31, 2022		
	The Company 2022 101st Share Options_01	The Company 2022 101st Share Options_02	The Company 2022 101st Share Options_03
Weighted average share prices (Yen)	¥975	¥975	¥975
Exercise price (Yen)	¥0.01	¥0.01	¥0.01
Expected volatility (%)	41.51	46.28	41.06
Remaining term (Years)	1.00	2.00	3.01
Expected dividend (Yen)	¥4.50	¥4.50	¥4.50
Risk-free rate (%)	(0.08)	(0.05)	(0.05)
Fair value per share (Yen)	¥970	¥966	¥962

	December 31, 2022		
	The Company 2022 101st Share Options_04	The Company 2022 102nd Share Options_01	The Company 2022 102nd Share Options_02
Weighted average share prices (Yen)	¥975	¥975	¥975
Exercise price (Yen)	¥0.01	¥0.01	¥0.01
Expected volatility (%)	39.68	41.51	46.28
Remaining term (Years)	4.01	1.00	2.00
Expected dividend (Yen)	¥4.50	¥4.50	¥4.50
Risk-free rate (%)	(0.03)	(0.08)	(0.05)
Fair value per share (Yen)	¥957	¥970	¥966

	December 31, 2022		
	The Company 2022 102nd Share Options_03	The Company 2022 102nd Share Options_04	The Company 2022 103rd Share Options_01
Weighted average share prices (Yen)	¥975	¥975	¥986
Exercise price (Yen)	¥0.01	¥0.01	¥0.01
Expected volatility (%)	41.06	39.68	40.05
Remaining term (Years)	3.01	4.01	1.00
Expected dividend (Yen)	¥4.50	¥4.50	¥4.50
Risk-free rate (%)	(0.05)	(0.03)	(0.07)
Fair value per share (Yen)	¥962	¥957	¥981

	December 31, 2022		
	The Company 2022 103rd Share Options_02	The Company 2022 103rd Share Options_03	The Company 2022 103rd Share Options_04
Weighted average share prices (Yen)	¥986	¥986	¥986
Exercise price (Yen)	¥0.01	¥0.01	¥0.01
Expected volatility (%)	45.24	40.81	39.53
Remaining term (Years)	2.01	3.01	4.01
Expected dividend (Yen)	¥4.50	¥4.50	¥4.50
Risk-free rate (%)	(0.03)	(0.02)	(0.01)
Fair value per share (Yen)	¥977	¥973	¥968

	December 31, 2022		
	The Company 2022 104th Share Options_01	The Company 2022 105th Share Options_01	The Company 2022 105th Share Options_02
Weighted average share prices (Yen)	¥986	¥918	¥918
Exercise price (Yen)	¥0.01	¥0.01	¥0.01
Expected volatility (%)	37.09	33.52	38.45
Remaining term (Years)	6.10	1.00	2.01
Expected dividend (Yen)	¥4.50	¥4.50	¥4.50
Risk-free rate (%)	0.02	(0.09)	(0.06)
Fair value per share (Yen)	¥959	¥913	¥909

	December 31, 2022		
	The Company 2022 105th Share Options_03	The Company 2022 105th Share Options_04	The Company 2022 106th Share Options_01
Weighted average share prices (Yen)	¥918	¥918	¥918
Exercise price (Yen)	¥0.01	¥0.01	¥0.01
Expected volatility (%)	40.11	39.38	36.95
Remaining term (Years)	3.01	4.01	6.30
Expected dividend (Yen)	¥4.50	¥4.50	¥4.50
Risk-free rate (%)	(0.05)	(0.02)	0.06
Fair value per share (Yen)	¥905	¥900	¥890

	December 31, 2022		
	The Company 2022 107th Share Options_01	The Company 2022 107th Share Options_02	The Company 2022 107th Share Options_03
Weighted average share prices (Yen)	¥672	¥672	¥672
Exercise price (Yen)	¥0.01	¥0.01	¥0.01
Expected volatility (%)	36.85	40.78	41.24
Remaining term (Years)	1.00	2.01	3.01
Expected dividend (Yen)	¥4.50	¥4.50	¥4.50
Risk-free rate (%)	(0.14)	(0.09)	(0.09)
Fair value per share (Yen)	¥667	¥663	¥659

	December 31, 2022		
	The Company 2022 107th Share Options_04	The Company 2022 108th Share Options_01	The Company 2022 108th Share Options_02
Weighted average share prices (Yen)	¥672	¥672	¥672
Exercise price (Yen)	¥0.01	¥0.01	¥0.01
Expected volatility (%)	40.42	36.85	40.78
Remaining term (Years)	4.01	1.00	2.01
Expected dividend (Yen)	¥4.50	¥4.50	¥4.50
Risk-free rate (%)	(0.07)	(0.14)	(0.09)
Fair value per share (Yen)	¥654	¥667	¥663

	December 31, 2022		
	The Company 2022 108th Share Options_03	The Company 2022 108th Share Options_04	The Company 2022 109th Share Options_01
Weighted average share prices (Yen)	¥672	¥672	¥675
Exercise price (Yen)	¥0.01	¥0.01	¥0.01
Expected volatility (%)	41.24	40.42	32.66
Remaining term (Years)	3.01	4.01	1.00
Expected dividend (Yen)	¥4.50	¥4.50	¥4.50
Risk-free rate (%)	(0.09)	(0.07)	(0.11)
Fair value per share (Yen)	¥659	¥654	¥670

	December 31, 2022		
	The Company 2022 109th Share Options_02	The Company 2022 109th Share Options_03	The Company 2022 109th Share Options_04
Weighted average share prices (Yen)	¥675	¥675	¥675
Exercise price (Yen)	¥0.01	¥0.01	¥0.01
Expected volatility (%)	37.54	41.54	40.15
Remaining term (Years)	2.01	3.01	4.01
Expected dividend (Yen)	¥4.50	¥4.50	¥4.50
Risk-free rate (%)	(0.04)	(0.04)	0.00
Fair value per share (Yen)	¥666	¥662	¥657

	December 31, 2022		
	The Company 2022 110th Share Options_01	The Company 2022 110th Share Options_02	The Company 2022 110th Share Options_03
Weighted average share prices (Yen)	¥675	¥675	¥675
Exercise price (Yen)	¥0.01	¥0.01	¥0.01
Expected volatility (%)	32.66	37.54	41.54
Remaining term (Years)	1.00	2.01	3.01
Expected dividend (Yen)	¥4.50	¥4.50	¥4.50
Risk-free rate (%)	(0.11)	(0.04)	(0.04)
Fair value per share (Yen)	¥670	¥666	¥662

	December 31, 2022
	The Company 2022 110th Share Options_04
Weighted average share prices (Yen)	¥675
Exercise price (Yen)	¥0.01
Expected volatility (%)	40.15
Remaining term (Years)	4.01
Expected dividend (Yen)	¥4.50
Risk-free rate (%)	0.00
Fair value per share (Yen)	¥657

41. Dividends

	Year ended December 31, 2021		Year ended December 31, 2022	
	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	¥6,131	¥4.50	¥7,118
Dividends paid during the current year	—	—	—	—
Total dividends paid applicable to the year	4.50	6,131	4.50	7,118

As for the policy for shareholder return, the Company strives to pay stable and continuous dividends, while taking into account the importance of making investments with a view to medium to long-term growth and ensuring sufficient internal reserves for the purpose of stabilizing our financial base. With respect to the required level of shareholders' equity, the Company's basic philosophy is as follows:

- Prepare a financial basis sound enough for the Company to capture growing business opportunities promptly and accurately
- Ensure sufficiency in comparison with risks associated with business activities and assets
- Maintain the level of financial rating required for stable financing, while sustaining the level of shareholders equity in compliance with regulatory requirements

(Note) Cash dividends paid with record date during the year ended December 31, 2022 are as follows:

Date of resolution	Total dividends (Millions of Yen)	Dividends per share (Yen)
Resolution at the Board of Directors on February 14, 2023	¥7,157	¥4.50

42. Classification of Financial Instruments

The Group Companies' financial instruments are classified as follows:

As of December 31, 2021

(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	¥—	¥—	¥—	¥4,410,301	¥4,410,301
Accounts receivable — trade	0	—	—	307,821	307,821
Financial assets for securities business	790	—	—	3,087,754	3,088,544
Loans for credit card business	—	—	—	2,388,448	2,388,448
Investment securities for banking business	1,018	352,441	1	105,644	459,104
Loans for banking business	—	—	—	2,528,795	2,528,795
Investment securities for insurance business	3,731	107,522	179,202	—	290,455
Derivative assets (Note 1)	45,056	—	—	—	45,056
Investment securities	268,822	—	5,849	6,508	281,179
Other financial assets (Note 2)	5,343	—	—	583,046	588,389
Total	324,760	459,963	185,052	13,418,317	14,388,092

(Notes) 1. Derivative assets of ¥7,614 million represent derivatives as hedging instruments, and fluctuations in their fair value are recognized through other comprehensive income. For details, please refer to Note 38. Hedge Accounting.

2. Insurance business policy reserves (reinsured portion) of ¥ 54,261 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	¥—	¥—	¥392,455	¥392,455
Deposits for banking business	—	—	6,848,370	6,848,370
Financial liabilities for securities business	—	—	3,032,996	3,032,996
Derivative liabilities	24,825	—	—	24,825
Bonds and borrowings	—	—	1,355,255	1,355,255
Borrowings for securities business	—	—	207,505	207,505
Bonds and borrowings for credit card business	—	—	733,852	733,852
Borrowings for banking business	—	—	1,106,300	1,106,300
Other financial liabilities	4,559	—	1,410,809	1,415,368
Total	29,384	—	15,087,542	15,116,926

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	1,159,243	1,167,453
Total	350,286	444,078	171,372	16,503,337	17,469,073

(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 38. Hedge Accounting.

2. Insurance business policy reserves (reinsured portion) of ¥ 46,483 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)	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	1,687	—	1,625,613	1,627,300
Total	37,414	—	18,902,489	18,939,903

(Notes) 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 38. Hedge Accounting.

(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, 2021 mainly comprise exchange-traded real estate investment trusts, with a fair value of ¥138,977 million. 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.

During the year ended December 31, 2021, 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 ¥48,231 million, and cumulative fair value gains within other comprehensive income at the time of sale were ¥5,495 million. During the year ended December 31, 2022, 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 ¥29,994 million, and cumulative fair value gains within other comprehensive income at the time of sale were ¥698 million.

Additionally, during the year ended December 31, 2021, dividend income recognized from shares designated as equity instruments measured at FVTOCI was ¥5,212 million, all of which were related to shares held as of December 31, 2021. Furthermore, 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.

During the year ended December 31, 2021, the Group Companies reclassified ¥2,215 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, 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.

43. 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 year ended December 31, 2021

(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	¥26,984	¥840	¥5,208	¥(47)	¥32,985
Operating expenses	—	26	—	40,870	40,896
Other income	40,969	—	—	14	40,983
Other expenses	—	—	—	2	2
Financial income	6,454	—	4	—	6,458
Financial expenses	4,810	—	—	—	4,810
Amount recognized in other comprehensive income during the year	6,027	(1,868)	(5,331)	—	(1,172)
Amount of reclassification adjustment at the time of derecognition	(7,767)	(246)	—	—	(8,013)

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. Interest income and commission revenue from financial assets measured at FVTOCI and financial assets measured at amortized cost are noted in (3) and (4), respectively.

(2) Breakdown of Financial Income and Financial Expenses on Financial Liabilities by Type of Financial Instruments

(Millions of Yen)

	Financial liabilities measured at fair value			
	Financial liabilities subject to mandatory measurement at fair value	Financial liabilities designated as being measured at fair value	Financial liabilities measured at amortized cost	Total
Financial income	¥11,764	¥—	¥—	¥11,764
Financial expenses	—	—	14,335	14,335

Net gains on financial liabilities subject to mandatory measurement at fair value include gain on derivatives. Interest expenses and commission fee expenses from financial liabilities measured at amortized cost are noted in (3) and (4), 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	¥2,942	¥199,833	¥ —
Operating expenses	—	—	12,439
Financial income	—	681	—
Financial expenses	—	—	18,061
Total	2,942	200,514	30,500

(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	¥—	¥—	¥—	¥—	¥237
Financial expenses	—	—	—	1,437	—

(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	¥14	¥2

For the 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. Interest income and commission revenue from financial assets measured at FVTOCI and financial assets measured at amortized cost are noted in (3) and (4), 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. Interest expenses and commission fee expenses from financial liabilities measured at amortized cost are noted in (3) and (4), 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	¥210,895	¥—
Operating expenses	—	—	14,820
Financial income	—	496	—
Financial expenses	—	—	27,440
Total	3,815	211,391	42,260

(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

44. 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 Group Companies.

Cash and cash equivalents, accounts receivable — trade, financial assets and liabilities for securities business, other financial assets, accounts payable — trade, borrowings for securities business, and borrowings for banking business are not included in the following table.

These financial instruments are subject to short-term settlement. They comprise financial assets or liabilities whose fair values approximate their carrying amounts, or financial assets or liabilities whose fair values 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, approximate their carrying amounts.

In addition, derivative assets and liabilities, and investment securities for insurance business are financial assets and liabilities routinely calculated based on fair value, and accordingly, they are not included in the following table.

(Millions of Yen)

	December 31, 2021		
	Carrying amount	Fair value	Difference
(Financial assets)			
Loans for credit card business	¥2,388,448	¥2,445,618	¥57,170
Investment securities for banking business	459,104	458,882	(222)
Loans for banking business	2,528,795	2,534,095	5,300
Investment securities	281,179	281,202	23
Total	5,657,526	5,719,797	62,271
(Financial liabilities)			
Deposits for banking business	6,848,370	6,848,411	41
Bonds and borrowings	1,355,255	1,388,590	33,335
Bonds and borrowings for credit card business	733,852	736,856	3,004
Other financial liabilities (Note)	1,073,094	1,069,533	(3,561)
Total	10,010,571	10,043,390	32,819

(Note) Lease liabilities of ¥342,274 million are excluded. In addition, guarantee deposits received for the prepaid variable share forward transactions of Lyft shares of ¥125,115 million and ¥122,218 million are included in book value and fair value, respectively. For details of the prepaid variable share forward transactions of Lyft shares, please refer to Note 26. Other Financial Liabilities.

(Millions of Yen)

	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
Investment securities	161,071	161,071	—
Total	7,361,325	7,405,468	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)	1,196,477	1,181,980	(14,497)
Total	12,189,093	12,188,293	(800)

(Note) Lease liabilities of ¥430,823 million are excluded. In addition, guarantee deposits received for the prepaid variable share forward transactions of Lyft shares of ¥143,210 million and ¥129,169 million are included in book value 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 liabilities, fair value of forward exchange contracts is measured based on forward exchange rates. Trading derivatives for over-the-counter transaction 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 deemed 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 Group Companies recognize 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

For the year ended December 31, 2021

(Millions of Yen)

	Level 1	Level 2	Level 3	Total
Financial assets for securities business	¥—	¥790	¥—	¥790
Investment securities for banking business	168,532	25,877	159,051	353,460
Investment securities for insurance business	160,516	87,278	42,661	290,455
Investment securities	162,632	15,357	96,682	274,671
Other financial assets	—	—	5,343	5,343
Derivative assets/liabilities	—	20,231	—	20,231

There were no significant transfers between Level 1 and Level 2 during the year ended December 31, 2021.

For the year ended 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	131,762	35,533	177,582	344,877
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.

Classification by level of assets and liabilities not based on fair value in the Consolidated Statement of Financial Position

For the year ended December 31, 2021

(Millions of Yen)

	Level 1	Level 2	Level 3	Total
Loans for credit card business	¥—	¥—	¥2,445,618	¥2,445,618
Investment securities for banking business	99,020	2,085	4,317	105,422
Loans for banking business	—	—	2,534,095	2,534,095
Investment securities	4,726	1,001	804	6,531
Deposits for banking business	—	6,848,411	—	6,848,411
Bonds and borrowings	—	1,388,590	—	1,388,590
Bonds and borrowings for credit card business	—	736,856	—	736,856
Other financial liabilities	—	1,411,807	—	1,411,807

For the year ended 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	509,371	49,261	—	558,632
Loans for banking business	—	—	3,510,057	3,510,057
Investment securities	—	1	805	806
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	—	1,181,980	—	1,181,980

(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 year ended December 31, 2021

(Millions of Yen)

	Investment securities for banking business	Investment securities for insurance business	Investment securities	Other financial assets	Total
January 1, 2021	¥155,805	¥53,085	¥86,482	¥11,348	¥306,720
Gains or losses					
Net income	—	335	13,964	690	14,989
Other comprehensive income	1	(1,213)	(371)	—	(1,583)
Acquisition	416,892	512	14,115	2,384	433,903
Disposal	—	(4,758)	(9,693)	(767)	(15,218)
Redemption	(413,657)	(8,756)	—	(2,064)	(424,477)
Others	10	3,456	7,314	(6,248)	4,532
Transfer to Level 3	—	—	—	—	—
Transfer from Level 3 (Note)	—	—	(15,129)	—	(15,129)
December 31, 2021	159,051	42,661	96,682	5,343	303,737
Total net income on financial instruments held at the end of previous fiscal year (December 31, 2021)	—	335	12,190	668	13,193

(Note) For “Investment securities”, the transfer resulted from the listing of an investee as quoted share prices are now available.

Gains and losses included in net income during the year ended December 31, 2021 are included in "Revenue", "Other Income", and "Financial Income".

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	12.0% - 14.0%

With regard to unobservable inputs, the rise in discount rate correlates with the decrease in fair value of shares.

For the year ended December 31, 2022

(Millions of Yen)

	Investment securities for banking business	Investment securities for insurance business	Investment securities	Other financial assets	Total
January 1, 2022	¥159,051	¥42,661	¥96,682	¥5,343	¥303,737
Gains or losses					
Net income	—	251	2,404	676	3,331
Other comprehensive income	(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)	—	—	(16,377)	—	(16,377)
December 31, 2022	177,582	37,493	84,163	8,210	307,448
Total net income on financial instruments held at the end of current fiscal year	—	251	2,509	676	3,436

(Note) For "Investment securities", the transfer resulted from the listing of an investee as quoted share prices are now available.

Gains and losses included in net income during the year ended December 31, 2022 are included in "Revenue", "Financial income", "Financial expenses", "Other income", and "Other loss".

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 property, characteristics, and risks of each asset. The reasons for the use of certain valuation models and fair value measurement processes are reported to 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 and investment securities 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.

45. 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 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, 2021

(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	¥43,093	¥(7,291)	¥35,802
Financial assets for securities business	Reverse repurchase agreements, investment securities borrowing agreements and similar agreements	665,308	—	665,308
	Accounts receivable, etc. relating to investment securities and other transactions, etc.	984,324	(459,461)	524,863
Other financial assets	Reverse repurchase agreements, investment securities borrowing agreements and similar agreements, and accounts receivable, etc.	176,056	(44,796)	131,260

(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	¥35,802	¥(9,500)	¥(18,606)	¥7,696
Reverse repurchase agreements, investment securities borrowing agreements and similar agreements	665,308	(663,237)	—	2,071
Accounts receivable, etc. relating to investment securities and other transactions, etc.	524,863	(524,863)	—	—
Reverse repurchase agreements, investment securities borrowing agreements and similar agreements, and accounts receivable, etc.	131,260	(120,393)	—	10,867

(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	¥19,384	¥(7,291)	¥12,093
Financial liabilities for securities business	Repurchase agreements, investment securities lending agreements and similar agreements	641,577	—	641,577
	Accounts payable, etc. relating to investment securities and other transactions, etc.	2,220,788	(459,461)	1,761,327
Other financial liabilities	Repurchase agreements, investment securities lending agreements and similar agreements, and accounts payable, etc.	269,882	(44,796)	225,086

(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	¥12,093	¥(9,500)	¥(2,558)	¥35
Repurchase agreements, investment securities lending agreements and similar agreements	641,577	(637,475)	(175)	3,927
Accounts payable, etc. relating to investment securities and other transactions, etc.	1,761,327	(621,731)	(7,700)	1,131,896
Repurchase agreements, investment securities lending agreements and similar agreements, and accounts payable, etc.	225,086	(138,199)	—	86,887

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	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

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.

46. 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)

	December 31, 2021	December 31, 2022
Right-of-use assets		
Offices as the underlying assets	¥64,909	¥80,907
Warehouses as the underlying assets	29,706	56,176
Data centers as the underlying assets	16,441	14,314
Telecommunications facilities as the underlying assets	214,695	256,686
Other underlying assets	18,684	18,801
Total right-of-use assets (Note 1)	344,435	426,884
Lease liabilities (Note 2)	342,274	430,823

(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)
	Year ended December 31, 2021	Year ended December 31, 2022
Depreciation associated with right-of-use assets		
Offices as the underlying assets	¥13,394	¥18,759
Warehouses as the underlying assets	7,447	4,727
Data centers as the underlying assets	3,743	4,637
Telecommunications facilities as the underlying assets	17,452	28,799
Other underlying assets	2,916	3,924
Total depreciation associated with right-of-use assets (Note 1)	44,952	60,846
Interest expenses associated with lease liabilities (Note 2)	1,590	3,201

(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)

	Year ended December 31, 2021	Year ended December 31, 2022
Total cash outflows associated with leases	¥46,965	¥61,548

(4) Extension options and termination options

Certain lease contracts have extension options and/or termination options, which may 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 10 years since the lease commencement date, by opting before the elapse of nine years

(5) Contracted leases that have not yet commenced

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, 2021 was ¥43,944 million and it was not applicable as of December 31, 2022.

47. Financial Risk Management

The objective of the Group Companies' 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 Group Companies' 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 Group Companies focus 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 Group Companies restrict their 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 Group Companies primarily focus 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 Group Companies mainly provide 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 Group Companies are 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 Group Companies engage in Asset and Liability Management (ALM) focused on interest rate sensitivity, funding liquidity and market liquidity.

In the insurance business, the Group Companies consider 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 Group Companies 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 Group Companies 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 Group Companies engage 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 investments securities for banking business, the investment securities for insurance business, and investments 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, 2021

(Millions of Yen)

		Lifetime expected credit loss			
	12-months expected credit losses	Financial assets with credit risk which has significantly increased since initial recognition	Financial assets impaired	Financial assets with allowance for doubtful accounts measured at an amount equal to lifetime expected credit losses	Total
January 1, 2021	¥20,394	¥5,230	¥77,648	¥8,749	¥112,021
Increase for the period (provision)	805	4,649	35,565	1,604	42,623
Decrease for the period (intended use)	(49)	(272)	(38,192)	(1,484)	(39,997)
Decrease for the period (reversal)	(1,569)	(60)	(445)	(589)	(2,663)
Reclassification for the period	(629)	(3,760)	4,389	—	—
Other changes for the period	15	2	409	220	646
December 31, 2021	18,967	5,789	79,374	8,500	112,630

(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, 2022

(Millions of Yen)

		Lifetime expected credit loss			
	12-months expected credit losses	Financial assets with credit risk which has significantly increased since initial recognition	Financial assets impaired	Financial assets with allowance for doubtful accounts measured at an amount equal to lifetime expected credit losses	Total
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. 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 Group Companies' 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 by the Group Companies 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 operating receivables, etc.

As of December 31, 2021

(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)	¥290,047	¥26,638	¥316,685	¥(8,865)	¥307,820
Other financial assets (Note)	155,792	18,186	173,978	(4,524)	169,454
Total:	445,839	44,824	490,663	(13,389)	477,274

(Note) Applies only to financial instruments with allowance for doubtful accounts are always based on amounts equal to lifetime expected credit loss and there are no categories that depend on whether a significant increase in credit risk since initial recognition has taken place, as they do not contain a significant financing component.

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) Applies only to financial instruments with allowance for doubtful accounts are always based on amounts equal to lifetime expected credit loss and there are no categories that depend on whether a significant increase in credit risk since initial recognition has taken place, as they do not contain a significant financing component.

Exposure to credit risks of receivables other than operating receivables, etc.

As of December 31, 2021

(Millions of Yen)

	Classification by creditworthiness					
	12-months expected credit losses	Financial assets with credit risk which has significantly increased since initial recognition	Financial assets impaired	Total	Allowance for doubtful accounts (Note)	Maximum credit risk exposure
On-balance sheet Items:						
Cash and cash equivalents	¥4,410,301	¥—	¥—	¥4,410,301	¥—	¥4,410,301
Financial assets for securities business	3,087,559	1	2,002	3,089,562	(1,807)	3,087,755
Loans for credit card business	2,343,119	14,588	117,787	2,475,494	(87,046)	2,388,448
Investment securities for banking business	458,086	—	—	458,086	—	458,086
Loans for banking business	2,535,515	529	3,011	2,539,055	(10,260)	2,528,795
Investment securities for insurance business	107,522	—	—	107,522	—	107,522
Investment securities	6,508	—	—	6,508	—	6,508
Other financial assets	410,003	—	3,648	413,651	(58)	413,593
Total of On-balance sheet items:	13,358,613	15,118	126,448	13,500,179	(99,171)	13,401,008
Off-balance sheet items:						
Commitment lines	—	—	—	—	—	4,837,896
Financial guarantee agreements	—	—	—	—	—	14,720
Total of Off-balance sheet items:	—	—	—	—	—	4,852,616
Total	13,358,613	15,118	126,448	13,500,179	(99,171)	18,253,624

(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 ¥2,642 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 Group Companies 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 ¥29,518 million and ¥7,366 million, respectively.

As of December 31, 2022

(Millions of Yen)

	Classification by creditworthiness					
	12-months expected credit losses	Financial assets with credit risk which has significantly increased since initial recognition	Financial assets impaired	Total	Allowance for doubtful accounts (Note)	Maximum credit risk exposure
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	898,450	1	1,074	899,525	(36)	899,489
Total of On-balance sheet items:	16,274,874	15,977	125,876	16,416,727	(93,252)	16,323,475
Off-balance sheet items:						
Commitment lines	—	—	—	—	—	5,276,582
Financial guarantee agreements	—	—	—	—	—	12,709
Total of Off-balance sheet items:	—	—	—	—	—	5,289,291
Total	16,274,874	15,977	125,876	16,416,727	(93,252)	21,612,766

(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 fiscal year 2022 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 Group Companies 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 ¥31,407 million and ¥7,723 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 the payment terms have been extended 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 operating receivables, etc.

As of December 31, 2021

(Millions of Yen)

	Three months or less	Over three months to one year	Over one year
Accounts receivable — trade	¥22,146	¥15,161	¥ 11,477
Other financial assets	9,962	18,061	124
Total	32,108	33,222	11,601

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	9,624	13,059

Past due information of those other than operating receivables, etc.

As of December 31, 2021

(Millions of Yen)

	30 days or less	Over 30 days to 90 days	Over 90 days
Financial assets for securities business	¥19	¥1	¥2,002
Loans for credit card business	147,247	19,501	38,620
Investment securities for banking business	—	—	—
Loans for banking business	2,107	529	3,011
Other financial assets	—	—	2,689
Total	149,373	20,031	46,322

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

(2) Liquidity Risk

1) Outline of liquidity risk associated with financial instruments

Within financial liabilities held by the Group Companies, 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 Group Companies against the transacting financial institutions and changes in the market environment.

In addition, certain borrowings of the Group Companies 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, 2021

(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	¥392,455	¥—	¥—	¥—	¥—	¥—
Deposits for banking business	6,825,375	10,840	5,208	2,549	2,049	1,309
Financial liabilities for securities business	3,032,996	—	—	—	—	—
Bonds and borrowings	244,302	181,434	300,590	163,848	119,520	365,359
Borrowings for securities business	189,334	—	18,549	—	—	—
Bonds and borrowings for credit card business	436,163	101,891	108,847	47,380	30,384	16,718
Borrowings for banking business	484,500	70,800	168,400	382,600	—	—
Lease liabilities	45,701	47,753	45,028	40,062	36,233	131,299
Other financial liabilities excluding lease liabilities	755,106	158,453	13,674	92,538	49,613	6,950
Derivative liabilities	8,729	339	167	7,604	4,218	3,934
Off-balance sheet items						
Commitment lines	4,837,896	—	—	—	—	—
Financial guarantee agreements	14,720	—	—	—	—	—

(Note) Financial liabilities payable on demand are classified as "One year or less". "Deposits for banking business" include ¥6,401,269 million of demand deposits.

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	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	892,740	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) Financial liabilities payable on demand are classified as "One year or less". "Deposits for banking business" include ¥7,748,834 million of demand deposits.

(3) Market Risk

1) Outline of market risk associated with financial instruments

The Group Companies' 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 Group Companies 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 Group Companies enter 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 forward exchange contracts and by managing positions. Furthermore, exposure to price fluctuation risk is minimal, as the Group Companies' subsidiaries engage in the banking business do not hold any listed shares.

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 Group Companies, 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 Group Companies' 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 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 Group Companies' 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 Group Companies' financial liabilities are as follows:

(Millions of Yen)

	December 31, 2021	December 31, 2022
Bonds and borrowings	¥1,355,255	¥1,760,781
Floating interest rate	252,621	344,989
Fixed interest rate	1,102,634	1,415,792
Borrowings for securities business	207,505	157,542
Floating interest rate	18,505	18,542
Fixed interest rate	189,000	139,000
Bonds and borrowings for credit card business	733,852	812,738
Floating interest rate	150,120	165,774
Fixed interest rate	583,732	646,964

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, 2021 and 2022, loss (income) would be impacted as follows:

(Millions of Yen)

	December 31, 2021	December 31, 2022
Income before income tax		
In the event an increase of 0.1%	¥(289)	¥(529)
In the event a decrease of 0.1%	289	529

(Note) Within bonds and borrowings with floating interest rates for credit card business, the Group Companies have implemented interest rate swap transactions to reduce interest rate fluctuation risk, and the balances of fixed interests were ¥132,040 million and ¥139,810 million as of December 31, 2021 and 2022, respectively.

4) Price fluctuation risk

Of the equity instruments held by the Group Companies, marketable equity instruments are exposed to share price fluctuation risk. The Group Companies regularly check the market prices of their equity instruments and financial conditions of their issuers.

The Group Companies 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, 2021 and 2022 in the event of a 5% rise or fall in share prices due to changes in fair value, excluding Lyft shares, are as follows:

(Millions of Yen)

	December 31, 2021	December 31, 2022
Income before income tax		
In the event a 5% rise	¥33	¥242
In the event a 5% fall	(33)	(242)
Accumulated other comprehensive income (before tax effect)		
In the event a 5% rise	200	199
In the event a 5% fall	(200)	(199)

The Company has concluded a derivative contract related to Lyft 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 shares. Given all other variables remaining constant, in the event of a 10% rise or fall in the share price of Lyft shares, the impact on income (loss) is as follows:

(Millions of Yen)

	December 31, 2021	December 31, 2022
Income before income tax		
In the event a 10% rise	¥(13,454)	¥(3,795)
In the event a 10% fall	13,325	3,792

As for the fair value of Lyft 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, 2021	December 31, 2022
Income before income tax		
In the event a 10% rise	¥15,460	¥4,528
In the event a 10% fall	(15,496)	(4,569)

(Note) For details of the transactions, please refer to Note 26. Other Financial Liabilities.

5) Management of market risks for subsidiaries engaged in banking business

(Management of Interest Rate Risk)

At the Group Companies' 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 maturity 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, 2021 and 2022, the impact on present value is as follows:

(Millions of Yen)

	December 31, 2021	December 31, 2022
Income before income tax		
In the event a 0.1% increase	¥(274)	¥4,679
In the event a 0.1% decrease	274	(4,679)

(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, 2021 and 2022. 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 Group Companies' 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.

48. Capital Management

The Group Companies' capital structure is as follows:

(Millions of Yen)

	December 31, 2021	December 31, 2022
Total liabilities	¥15,713,931	¥19,566,208
Less: Cash and cash equivalents	4,410,301	4,694,360
Net liabilities	11,303,630	14,871,848
Total equity	1,117,290	871,090

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. Principal laws and regulations in each country and region applicable to the major subsidiaries are described in the chart as follows:

Country and 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.

49. Related Parties

Related party transactions and their corresponding outstanding balances of receivables and payables between the Group Companies and 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)

	Year ended December 31, 2021			Year ended December 31, 2022		
	Associates	Executives	Total	Associates	Executives	Total
Revenue	¥3,332	¥—	¥3,332	¥5,272	¥—	¥5,272
Operating expenses	7,182	—	7,182	17,793	—	17,793
Accounts receivable — trade	699	—	699	998	—	998
Other financial assets (Note 1)	3,872	66	3,938	5,595	99	5,694
Investments in associates and joint ventures (Note 2)	5,403	—	5,403	5,742	—	5,742
Property, plant and equipment	176	—	176	—	—	—
Intangible assets	5,919	—	5,919	—	—	—
Other assets	556	—	556	1,768	—	1,768
Accounts payable — trade	2,592	—	2,592	7,014	—	7,014
Deposits for banking business	220	537	757	2,855	580	3,435
Financial liabilities for securities business	—	128	128	—	13	13
Other financial liabilities	9,601	—	9,601	13,126	—	13,126
Other liabilities	16,416	5,325	21,741	86,605	—	86,605
Total amounts of assets succeeded (Note 3)	81,883	—	81,883	—	—	—
Total amounts of liabilities assumed (Note 3)	83,635	—	83,635	—	—	—
Guarantee obligations (Note 4)	10,507	—	10,507	9,211	—	9,211
Commitment (Note 5)	—	—	—	4,085	—	4,085

(Notes) 1. Allowance for doubtful accounts of ¥667 million and ¥687 million has been recorded against other financial assets for the years ended 2021 and 2022, respectively.

2. The investments in associates and joint ventures for the years ended 2021 and 2022 mainly refers to increased investments carried out by associate companies.

3. The total amounts of assets succeeded and liabilities assumed in the fiscal year ended December 31, 2021 are derived from a simple absorption-type split to allow JP Rakuten Logistics, Inc. to succeed the business. Since the company split was a transaction under common control at the point of the split, assets and liabilities related to the split business were transferred at an appropriate book value immediately before the transfer without consideration. For details, please refer to Note 50. Business Combinations.

4. Guarantee obligations in the fiscal year ended December 31, 2021 and the fiscal year ended December 31, 2022 comprises the balance of guarantee obligations due to the lease liabilities of associates.

5. Commitments for the fiscal year ended December 31, 2022 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)

	Year ended December 31, 2021	Year ended December 31, 2022
Revenue	¥—	¥20
Operating expenses (Note 1)	118	412
Other expenses	—	30
Deposits for banking business (Note 2)	1,442	1,663
Other financial liabilities	—	67
Other liabilities	—	38
Issuance of new shares through third-party allotment (Note 3)	10,000	—
Capital surplus (Note 4)	(70)	—
Other equity instruments (Note 5)	(19)	—

(Notes) 1. Operating expenses for the years ended December 31, 2021 and 2022 are attorneys' fees and expenses paid to Nishimura & Asahi etc., which are determined in the same manner as general terms of transactions.

2. Deposits for banking business for the years ended December 31, 2021 and 2022 are deposits received from Crimson Group, LLC etc.

3. In the fiscal year ended December 31, 2021, based on the resolution at the Board of Directors meeting held on March 12, 2021, the Company issued new shares through a third-party allotment comprising 4,366,800 shares each to Mikitani Kosan, Inc., and Spirit Inc, at ¥1,145 per share. This offer price per share is based on the simple average of the closing price of the shares of common stock of the Company on the Tokyo Stock Exchange, over one month up to the business day immediately before the date of the aforementioned resolution (from February 12, 2021 to March 11, 2021).

4. Capital surplus in the fiscal year ended December 31, 2021 consists of attorneys' fees and expenses paid to Nishimura & Asahi 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 ¥101 million.

5. Other equity instruments in the fiscal year ended December 31, 2021 consists of attorneys' fees and expenses paid to Nishimura & Asahi with respect to the issuance of unsecured subordinated bonds with deferred interest clause, based on terms and conditions similar to those of arm's length transactions. The amount after tax effect has been deducted from other equity instruments, with the amount before tax effect being ¥27 million.

(3) Executive Compensation

Executive compensation is as follows:

(Millions of Yen)

	Year ended December 31, 2021	Year ended December 31, 2022
Short-term employee benefits (Note)	¥1,161	¥963
Share-based payments	701	581
Total	1,862	1,544

(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.

50. Business Combinations

During the year ended December 31, 2021

(1) Company Split Involving JP Rakuten Logistics, Inc.

i) Overview of the company split

On July 1, 2021, the Company and Japan Post Co., Ltd. invested in JP Rakuten Logistics, LLC (ownership ratio: Japan Post: 50.1%, the Company: 49.9%) upon conducting a simple absorption-type split to have its wholly-owned subsidiary JP Rakuten Logistics, LLC (currently JP Rakuten Logistics, Inc.) succeed rights and obligations in its logistics business (excluding a part of the business). As a result, JP Rakuten Logistics became the Company's associate accounted for using equity method in the third quarter of the fiscal year ended December 31, 2021.

ii) Assets and liabilities succeeded by JP Rakuten Logistics, Inc. through the company split (as of July 1, 2021)

(Millions of Yen)

Assets	
Property, plant and equipment	¥78,441
Others	3,442
Total assets	81,883
Liabilities	
Other financial liabilities	77,336
Others	6,299
Total liabilities	83,635

iii) Consideration for the company split and changes in cash and cash equivalents

No consideration was received in the company split and there were no changes to cash and cash equivalents.

(2) Business Combination with Altiostar Networks, Inc.

i) An overview of the business combination is as follows:

1) Name of the acquiree and business description

Name of the acquiree: Altiostar Networks, Inc.

Business description: Provision of solutions based on an advanced virtualized RAN software to enable development of cloud-native mobile networks compatible with 4G and 5G networks

2) Reason for the business combination

To make Altiostar Networks, Inc. a wholly-owned subsidiary with a view to fully utilizing its proprietary telecommunication technologies and accelerate the Group Companies' network development effort

3) Date of the business combination: August 4, 2021

4) Legal form of the business combination: Acquisition of shares

5) The Company's share of voting rights after the acquisition: 100%

6) Basis for determining the acquirer

The Company is the acquirer because it acquired shares in exchange for cash through its wholly-owned subsidiary Rakuten USA, Inc.

ii) Consideration for the acquisition and its breakdown

(Millions of Yen)

Consideration for acquisition:	
Cash	¥41,570
Contingent consideration	1,097
Total consideration for acquisition	42,667

iii) Cost for the acquisition

¥84 million is stated as cost for the acquisition under "Operating expenses".

iv) Assets and liabilities assumed on the date of the business combination were as follows:

	Fair value
Assets	
Cash and cash equivalents	9 million U.S. dollars
Intangible assets	230 million U.S. dollars
Others	26 million U.S. dollars
Total assets	265 million U.S. dollars
Liabilities	
Accounts payable — trade	9 million U.S. dollars
Others	27 million U.S. dollars
Total liabilities	36 million U.S. dollars
Net assets	229 million U.S. dollars

v) The amount of goodwill derived and its underlying factor are as follows:

1) The amount of goodwill derived: 791 million U.S. dollars

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.

2) Underlying factor

Goodwill derived based on a reasonable estimation of excess earning power expected from future business development.

vi) Gains on step acquisition

Equity interest in the acquiree held by the Group Companies prior to the acquisition date was remeasured at ¥69,196 million based on fair value as at the acquisition date. As a result of the business combination, a gain on step acquisition of ¥59,496 million was recognized as "Other income" in the Consolidated Statement of Income.

vii) Impact on the Group Companies

Assuming the business combination was effected at the beginning of the fiscal year ended December 31, 2021, its impact on the Group Companies' revenue and net loss is immaterial, and therefore statement is omitted.

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 effected 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 effected at the beginning of the fiscal year ended December 31, 2022 was not audited by the Independent Auditor.

51. Major Subsidiaries

(1) Major Subsidiaries

Major subsidiaries of the Group Companies are as follows:

Name	Location	Capital	December 31, 2021		December 31, 2022	
			Voting rights ratio	Ownership	Voting rights ratio	Ownership
Internet Services Segment:						
Ebates Inc.	U.S.	0.1 U.S. dollar	100%	100%	100%	100%
Rakuten Kobo Inc.	Canada	920 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.	Tokyo	¥25,954 million	100%	100%	100%	100%
Rakuten Securities, Inc.	Tokyo	¥19,496 million	100%	100%	80%	80%
Rakuten Life Insurance Co., Ltd.	Tokyo	¥7,500 million	100%	100%	100%	100%
Rakuten General Insurance Co., Ltd.	Tokyo	¥20,153 million	100%	100%	100%	100%
Rakuten Payment, Inc.	Tokyo	¥100 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%

(2) Changes in Ownership

Fiscal year ended December 31, 2021

Not applicable.

Fiscal year ended December 31, 2022

The Group Companies sold some of their shares in Rakuten Securities, Inc. held by Rakuten Securities Holdings, Inc., one of the Company's subsidiaries, to Mizuho Securities Co., Ltd. in the fourth quarter ended December 31, 2022. As a result, the Group Companies decreased their voting rights ratio and ownership in Rakuten Securities, Inc. from 100% to 80%. The Group Companies continue to control Rakuten Securities, Inc. after the sale.

A summary of the transactions with non-controlling interests in connection with the share sale 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

52. 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. Accordingly, 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)

	December 31, 2021	December 31, 2022
Assets		
Cash and cash equivalents	¥2,659	¥3,159
Loans for credit card business	35,922	38,082
Investment securities	101,678	104,684
Other financial assets	8,617	968
Investments in associates and joint ventures	9,692	9,692
Property, plant and equipment	26,330	30,968
Others	250	14,835
Total assets	185,148	202,388
Liabilities		
Bonds and borrowings for credit card business	28,405	24,531
Others	905	2,225
Total liabilities	29,310	26,756

(2) Unconsolidated Structured Entities

The Group Companies engage in investment activities involving structured entities as part of their banking business and other businesses as well as 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 other businesses as well as 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	December 31, 2021	December 31, 2022
Investment securities for banking business	Securitization products set up by third parties		
	Monetary claims for individual customers	¥90,092	¥84,128
	Lease receivables	28,718	37,740
	Public bonds	512	7,334
	Real estate	39,221	36,766
	Others	1,018	7,542
Loans for banking business	Securitization products set up by third parties		
	Monetary claims for individual customers	66,693	122,672
	Real estate	6,624	145,177
	Public bonds	126,740	534,241
Investment securities for insurance business	Securitization products set up by third parties		
	Monetary claims for individual customers	4,517	3,853
	Real estate	151,380	117,134
	Others	12,007	10,198
Other financial assets	Securitization products set up by third parties		
	Real estate	175	390
Total		527,697	1,107,175

53. Subsequent Events

Issuance of bonds

The Company issued the following USD-denominated bonds on January 20, 2023.

	USD-denominated unsecured bonds maturing in November 2024 (Note)
Total issuance amount	USD 450 million
Issuance price	97.500% of face value
Interest rate (%)	10.250% per year
Maturity date	November 30, 2024
Redemption method	Lump-sum redemption at maturity
Payment date	January 20, 2023
Purpose of use	Funds for investments and loans to Rakuten Mobile, Inc. and repayment of existing interest-bearing debt

(Note) Incremental issuance of USD-denominated unsecured bonds maturing in November 2024 (issued November 30, 2022). For details, please refer to Note 21. Bonds and Borrowings.

The Company issued the following unsecured bonds on February 10, 2023.

	Rakuten Group, Inc. 22nd Unsecured Bonds (subject to a limited inter-bond pari passu clause)
Total issuance amount	¥250,000 million
Issuance price	¥100 per ¥100 of the amount of each bond
Interest rate (%)	3.30% per year
Maturity date	February 10, 2025
Redemption method	Lump-sum redemption at maturity
Payment date	February 10, 2023
Purpose of use	Funds for investments and loans to Rakuten Mobile, Inc.

Listing of Rakuten Bank, Ltd., Issue of Shares through a Public Offering, and Partial Offering of Shares owned by the Company

The common stock of Rakuten Bank, Ltd. (hereinafter "Rakuten Bank"), a subsidiary of the Company, was listed on the Tokyo Stock Exchange Prime Market on April 21, 2023. In connection with the listing of Rakuten Bank, the Company sold a portion of the Rakuten Bank shares (hereinafter "Rakuten Bank shares") owned by the Company. In addition, Rakuten Bank has newly issued shares through a public offering.

(1) Purpose of listing

For more than 20 years since its establishment in 2001, Rakuten Bank has strived to provide its many customers with highly convenient financial services through use of the Internet. We believe that these continuous efforts have helped Rakuten Bank to gain recognition for the convenience of its services, and by the end of December 2022, the number of accounts had exceeded 13.38 million, with many retail and corporate customers now using

Rakuten Bank. In addition, as one of the Group's FinTech companies, Rakuten Bank has collaborated with various financial businesses within the Group, to develop and provide customers with convenient, affordable, and unique services. In this sense, Rakuten Bank recognizes that it has promoted the digitization of financial services as a pioneer of digital banks. Rakuten Bank places this as its "First Growth Stage".

Through its stock listing, Rakuten Bank aims to implement growth strategies with a more autonomous management perspective, and to enable various growth and financial strategies, including its own fundraising. As announced on April 28, 2022, in the "Rakuten Bank Medium- to Long-Term Vision", Rakuten Bank is implementing a growth strategy for its "Second Growth Stage" based on a medium to long-term vision, continuing to expand the business and improve corporate value.

(2) Overview of Rakuten Bank

① Name	Rakuten Bank, Ltd.
② Head Office Address	2-16-5 Konan, Minato-ku, Tokyo
③ Representative	Hiroyuki Nagai, President
④ Business Outline	Banking
⑤ Common Stock	25,954 million yen (March 31, 2023)
⑥ Date of Start of Business	July 2001

(3) Overview of IPO

① Number of Shares in Subscription	Common Stock 5,555,500
② Subscription Method	Book Building
③ Offering Price	¥1,400 per share
④ Underwriting Amount	¥1,330 per share This is the amount that Rakuten Bank received from the underwriters as paid-up shares. The difference between the offering price and the underwriting amount in the domestic offering was proceeds to the underwriters.
⑤ Amount Paid	¥1,105 per share This is the amount paid under the Companies Act, which was determined at a meeting of the Board of Directors of Rakuten Bank held on April 5, 2023.
⑥ Amount Incorporated into Common Stock	¥665 per share
⑦ Total Amount of Issued Shares	¥6,138,827,500
⑧ Total Amount Incorporated into Common Stock	¥3,694,407,500
⑨ Payment Date	April 20, 2023

(Note) The amount incorporated into common stock is the increase of common stock per share. The increased amount of capital surplus is ¥665 per share.

(4) Overview of the Partial Offering of Rakuten Bank shares Owned by the Company

① Number of Shares Offered by the Company	Domestic offering through underwriters; Common Stock 21,966,400 shares Overseas offering through underwriters; Common Stock 31,984,900 shares Offering through overallotment (Note); Common Stock up to 4,463,000 shares
② Offering Method	Book Building
③ Total Amount of Shares sold by the Company	Domestic offering ¥30,752,960,000 Overseas offering ¥44,778,860,000 Offering through overallotment ¥6,248,200,000
④ Delivery Date	Offering by the underwriters in consideration; April 21, 2023

(Notes) 1. Offering through overallotment relates to the domestic offering and the domestic underwriting which Daiwa Securities Co., Ltd. further offered in Japan after consideration of demand.

2. With regards to the offering through overallotment, Rakuten Bank has made a resolution to issue new shares at the Board of Directors meeting on March 22, 2023. Also, Daiwa Securities Co., Ltd. may purchase Rakuten Bank Shares up to the limit on the Stock Exchange between April 21, 2023 and May 19, 2023, after consulting with Mitsubishi UFJ Morgan Stanley Securities Co., Ltd., Mizuho Securities Co., Ltd., Goldman Sachs Japan Co. Ltd., and SMBC Nikko Securities Inc., to return shares borrowed from the Company.

(5) Impact on the Consolidated Financial Statements

Above (3) and (4) are considered as partial sales etc. of shares of subsidiaries without loss of control as the Company will continue to own 63.3% of the total of issued shares of Rakuten Bank after the transaction of (3) and (4). Therefore, the difference of changes in equity and gains or losses (before taxes) arising on the sale of shares relating to above (3) and (4) are accounted for as a decrease of capital surplus. As a result, capital surplus decreases by approximately ¥7 billion and non-controlling interests increases by approximately ¥85 billion.

Sale of Associate 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. (hereinafter "Seiyu HD") through SY Investment L.P. (the Acquiring Company) to KKR & Co. Inc. (hereinafter "KKR"), the parent company of the Acquiring company, and concluded a share purchase agreement on the same day. Due to this, Seiyu HD will be excluded from associates of the group accounted for using the equity method.

An overview of the share sale is as follows.

(1) Reason for the sale of shares

The Rakuten Group has together with KKR supported Seiyu's growth since investing in Seiyu HD in 2021, and through a deepening of this partnership, has realized achievements in the key indicators of Seiyu's market share, customer satisfaction, associate (employee) satisfaction, and financial performance. After reviewing the Company's optimal asset portfolio composition, the Company has determined that it is appropriate to sell all shares of Seiyu HD to KKR.

(2) Name of the acquirerSY Investment L.P.

(3) Date of the sale May 31, 2023

(4) Name of the associate accounted for using the equity method Seiyu Holdings Co., Ltd.

(5) Selling price ¥22,000 million (Estimate)

(6) Profit or Loss on sale

The impact of this sale is currently under consideration but including the contingent consideration mentioned in (7) below, is expected to be immaterial.

(7) Other special agreements etc.

This agreement includes a clause in which the Company will receive additional consideration when certain conditions are satisfied, but this is not included in the above selling price.

54. Classification of Current and Non-current

As of December 31, 2021

(Millions of Yen)

	Collection or settlement period		Total
	12 months or less	Over 12 months	
Assets			
Cash and cash equivalents	¥4,410,301	¥—	¥4,410,301
Accounts receivable — trade	287,951	19,870	307,821
Financial assets for securities business	3,088,341	203	3,088,544
Loans for credit card business	1,828,726	559,722	2,388,448
Investment securities for banking business	41,882	417,222	459,104
Loans for banking business	954,160	1,574,635	2,528,795
Investment securities for insurance business	17,979	272,476	290,455
Derivative assets	29,303	15,753	45,056
Investment securities	13,617	267,562	281,179
Other financial assets	399,924	242,726	642,650
Investments in associates and joint ventures	—	68,991	68,991
Property, plant and equipment	—	975,362	975,362
Intangible assets	—	858,997	858,997
Deferred tax assets	—	225,100	225,100
Other assets	155,457	104,961	260,418
Total assets	11,227,641	5,603,580	16,831,221
Liabilities			
Accounts payable — trade	392,455	—	392,455
Deposits for banking business	6,826,416	21,954	6,848,370
Financial liabilities for securities business	3,032,996	—	3,032,996
Derivative liabilities	8,732	16,093	24,825
Bonds and borrowings	237,344	1,117,911	1,355,255
Borrowings for securities business	189,000	18,505	207,505
Bonds and borrowings for creditcard business	433,376	300,476	733,852
Borrowings for banking business	484,500	621,800	1,106,300
Other financial liabilities	944,547	470,821	1,415,368
Income taxes payable	13,499	—	13,499
Provisions	188,589	9,674	198,263
Insurance business policy reserves	—	247,911	247,911
Employee retirement benefit liabilities	—	29,752	29,752
Deferred tax liabilities	—	2,488	2,488
Other liabilities	104,267	825	105,092
Total liabilities	12,855,721	2,858,210	15,713,931

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	917,409	296,528	1,213,937
Investments in associates and joint ventures	—	77,541	77,541
Property, plant and equipment	—	1,262,115	1,262,115
Intangible assets	—	974,372	974,372
Deferred tax assets	—	281,950	281,950
Other assets	190,775	134,988	325,763
Total assets	12,930,162	7,507,136	20,437,298
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 creditcard business	457,293	355,445	812,738
Borrowings for banking business	4,289	2,177,400	2,181,689
Other financial liabilities	1,062,331	564,969	1,627,300
Income taxes payable	18,139	—	18,139
Provisions	228,041	14,868	242,909
Insurance business policy reserves	—	200,545	200,545
Employee retirement benefit liabilities	—	34,743	34,743
Deferred tax liabilities	—	4,709	4,709
Other liabilities	125,199	61	125,260
Total liabilities	14,899,055	4,667,153	19,566,208

(2) [Others]

Quarterly Information for the current fiscal year

(Millions of Yen, unless otherwise stated)

(Cumulative period)	3 months ended March 31, 2022	6 months ended June 30, 2022	9 months ended September 30, 2022	Year ended December 31, 2022
Revenue	¥437,127	¥893,598	¥1,364,708	¥1,927,878
Loss before income tax	(118,681)	(214,487)	(312,058)	(407,894)
Net loss	(92,095)	(178,163)	(260,532)	(375,911)
Basic losses per share (Yen)	(57.76)	(111.47)	(162.76)	(235.00)

(Each quarter)	1st quarter	2nd quarter	3rd quarter	4th quarter
Basic losses per share (Yen)	¥(57.76)	¥(53.72)	¥(51.30)	¥(72.20)

Independent Auditor's Interim Review Report

The Board of Directors
Rakuten Group, Inc.

Auditor's Conclusion

We have reviewed the accompanying condensed quarterly consolidated financial statements of Rakuten Group, Inc. and its subsidiaries (the Group), which comprise the condensed quarterly consolidated statement of financial position as of September 30, 2024, and the condensed quarterly consolidated statements of income and comprehensive income for the three-month and nine-month periods ended September 30, 2024, and the condensed quarterly consolidated statements of changes in equity and cash flows for the nine-month period ended September 30, 2024, and notes to the condensed quarterly consolidated financial statements.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed quarterly consolidated financial statements are not prepared, in all material respects, in accordance with Article 5, Paragraph 2 of the Tokyo Stock Exchange, Inc.'s Standards for the Preparation of Quarterly Financial Statements (the Standards), applying the provisions for reduced disclosures as set forth in Article 5, Paragraph 5 of the Standards, as described in *Basis of Preparation* in the notes to the condensed quarterly consolidated financial statements.

Basis for Auditor's Conclusion

We conducted our review in accordance with review standards for interim financial statements generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Review of the Condensed Quarterly Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our review of the condensed quarterly consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the evidence we have obtained provides a basis for our conclusion.

Emphasis of Matter

We draw attention to *Significant Subsequent Events* in the notes to the condensed quarterly consolidated financial statements, which describes that Rakuten Group, Inc. (the Company) decided at its Board of Directors meeting held on November 13, 2024 to sell a portion of the common shares of Rakuten Card Co., Ltd. held by the Company to Mizuho Financial Group, Inc. On the same day, the Company and Mizuho Financial Group, Inc. entered into a Shareholder Agreement and a Share Sale Agreement for the Share Sale. Our conclusion is not modified in respect of this matter.

Responsibilities of Management, the Audit & Supervisory Board Members and the Audit & Supervisory Board for the Condensed Quarterly Consolidated Financial Statements

Management is responsible for the preparation of these condensed quarterly consolidated financial statements in accordance with Article 5, Paragraph 2 of the Standards, applying the provisions for reduced disclosures as set forth in Article 5, Paragraph 5 of the Standards and for the internal controls as management determines are necessary to enable the preparation of condensed quarterly consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the condensed quarterly consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, including the disclosures related to matters of going concern, as required by Article 5, Paragraph 2 of the Standards, applying the provisions for reduced disclosures as set forth in Article 5, Paragraph 5 of the Standards.

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 Review of the Condensed Quarterly Consolidated Financial Statements

Our responsibility is to express a conclusion on these condensed quarterly consolidated financial statements based on our review.

As part of a review in accordance with review standards for interim financial statements generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the review. We also:

- Make inquiries, primarily of management and persons responsible for financial and accounting matters and apply analytical and other interim review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in Japan.
- Conclude based on the evidence obtained whether anything has come to our attention that causes us to believe that the condensed quarterly consolidated financial statements are not prepared in accordance with Article 5, Paragraph 2 of the Standards, applying the provisions for reduced disclosures as set forth in Article 5, Paragraph 5 of the Standards, should we determine that 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. Additionally, if we conclude that a material uncertainty exists, we are required to draw attention in our auditor's interim review report to the related disclosures in the condensed quarterly consolidated financial statements or, if such disclosures are inadequate, to modify our conclusion. Our conclusions are based on the evidence obtained up to the date of our auditor's interim review report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether anything has come to our attention that causes us to believe that the overall presentation and disclosure of the condensed quarterly consolidated financial statements are not prepared in accordance with Article 5, Paragraph 2 of the Standards, applying the provisions for reduced disclosures as set forth in Article 5, Paragraph 5 of the Standards.
- Obtain evidence regarding the financial information of the entities or business activities within the Group as a basis for expressing a conclusion on the condensed quarterly consolidated financial statements. We are responsible for the direction, supervision and review of the documentation of the interim review. We remain solely responsible for our conclusion.

We communicate with the Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the planned scope and timing of the review and significant review findings.

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 review of the condensed quarterly 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.

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.

Ernst & Young ShinNihon LLC
Tokyo, Japan

November 13, 2024

Tomoko Tanabe

Tomoko Tanabe

Designated Engagement Partner
Certified Public Accountant

Isamu Ando

Isamu Ando

Designated Engagement Partner
Certified Public Accountant

Mitsutaka Kumagai

Mitsutaka Kumagai

Designated Engagement Partner
Certified Public Accountant

Condensed Quarterly Consolidated Financial Statements and Notes

(1) Condensed Quarterly Consolidated Statement of Financial Position

(Millions of Yen)

	As of December 31, 2023	As of September 30, 2024
Assets		
Cash and cash equivalents	5,127,674	5,886,875
Accounts receivable — trade	377,992	340,372
Financial assets for securities business	4,128,245	4,878,415
Loans for credit card business	3,019,261	3,089,993
Investment securities for banking business	1,208,527	1,757,558
Loans for banking business	3,886,888	4,301,174
Investment securities for insurance business	259,139	211,233
Derivative assets	233,110	264,368
Investment securities	182,207	240,117
Other financial assets	1,239,004	968,869
Investments in associates and joint ventures	42,100	35,944
Property, plant and equipment	1,267,837	1,208,523
Intangible assets	1,024,201	1,049,403
Deferred tax assets	214,777	220,714
Other assets	414,614	426,126
Total assets	22,625,576	24,879,684
Liabilities		
Accounts payable — trade	419,880	361,216
Deposits for banking business	9,732,828	10,570,745
Financial liabilities for securities business	4,236,517	5,142,437
Derivative liabilities	27,263	52,428
Bonds and borrowings	1,637,980	2,150,376
Borrowings for securities business	106,578	135,000
Bonds and borrowings for credit card business	603,869	608,355
Borrowings for banking business	2,446,746	2,670,041
Other financial liabilities	1,646,559	1,528,551
Income taxes payable	30,144	19,430
Provisions	263,886	288,676
Insurance contract liabilities	164,205	152,889
Employee retirement benefit liabilities	41,049	47,209
Deferred tax liabilities	3,602	3,734
Other liabilities	176,747	177,993
Total liabilities	21,537,853	23,909,080
Equity		
Equity attributable to owners of the Company		
Common stock	446,769	451,294
Capital surplus	541,520	549,018
Other equity instruments	317,316	317,316
Retained earnings	(643,991)	(806,194)
Treasury stock	(0)	(3)
Other components of equity	174,958	184,550
Total equity attributable to owners of the Company	836,572	695,981
Non-controlling interests	251,151	274,623
Total equity	1,087,723	970,604
Total liabilities and equity	22,625,576	24,879,684

(2) Condensed Quarterly Consolidated Statement of Income and Comprehensive Income Condensed Quarterly Consolidated Statement of Income

(For the nine months ended September 30, 2023 and 2024)

(Millions of Yen)

	Nine months ended September 30, 2023 (January 1 to September 30, 2023)	Nine months ended September 30, 2024 (January 1 to September 30, 2024)
Continuing operations		
Revenue	1,491,239	1,617,621
Operating expenses	1,651,698	1,659,095
Other income	7,897	12,674
Other expenses	27,016	22,266
Operating loss	(179,578)	(51,066)
Financial income	67,971	40,893
Financial expenses	57,814	80,936
Share of losses of investments in associates and joint ventures	(11,023)	(6,975)
Loss before income tax	(180,444)	(98,084)
Income tax expenses	21,944	29,057
Net loss	(202,388)	(127,141)
Net loss attributable to:		
Owners of the Company	(208,447)	(150,358)
Non-controlling interests	6,059	23,217
Net loss	(202,388)	(127,141)

(Yen)

Losses per share attributable to owners of the Company		
Basic	(113.37)	(70.04)
Diluted	(113.38)	(70.04)

Condensed Quarterly Consolidated Statement of Income

(For the three months ended September 30, 2023 and 2024)

(Millions of Yen)

	Three months ended September 30, 2023 (July 1 to September 30, 2023)	Three months ended September 30, 2024 (July 1 to September 30, 2024)
Continuing operations		
Revenue	518,439	566,713
Operating expenses	556,009	564,908
Other income	5,011	6,658
Other expenses	21,932	7,926
Operating income (loss)	(54,491)	537
Financial income	32,194	19,634
Financial expenses	33,295	71,587
Share of losses of investments in associates and joint ventures	(2,227)	(3,362)
Loss before income tax	(57,819)	(54,778)
Income tax expenses	7,598	11,260
Net loss	(65,417)	(66,038)
Net loss attributable to:		
Owners of the Company	(68,462)	(74,396)
Non-controlling interests	3,045	8,358
Net loss	(65,417)	(66,038)

(Yen)

Losses per share attributable to owners of the Company		
Basic	(32.00)	(34.60)
Diluted	(32.01)	(34.60)

Condensed Quarterly Consolidated Statement of Comprehensive Income

(For the nine months ended September 30, 2023 and 2024)

(Millions of Yen)

	Nine months ended September 30, 2023 (January 1 to September 30, 2023)	Nine months ended September 30, 2024 (January 1 to September 30, 2024)
Net loss	(202,388)	(127,141)
Other comprehensive income		
Items that will not be reclassified to net income		
Changes in equity instruments measured at fair value through other comprehensive income	2,163	(1,493)
Remeasurement of defined benefit plans	(210)	0
Other comprehensive income of investments in associates and joint ventures	8	(10)
Total items that will not be reclassified to net income	1,961	(1,503)
Items that may be reclassified to net income		
Foreign currency translation adjustments	107,227	13,512
Changes in debt instruments measured at fair value through other comprehensive income	1,212	(1,115)
Cash flow hedges	164	(3,410)
Changes on insurance contracts due to changes in interest rates not recognized in profit or loss	(2,251)	210
Changes on reinsurance contracts due to changes in interest rates not recognized in profit or loss	311	(327)
Other comprehensive income of investments in associates and joint ventures	3,836	435
Total items that may be reclassified to net income	110,499	9,305
Total other comprehensive income, net of tax	112,460	7,802
Comprehensive income	(89,928)	(119,339)
Comprehensive income attributable to:		
Owners of the Company	(96,900)	(141,226)
Non-controlling interests	6,972	21,887
Comprehensive income	(89,928)	(119,339)

Condensed Quarterly Consolidated Statement of Comprehensive Income

(For the three months ended September 30, 2023 and 2024)

(Millions of Yen)

	Three months ended September 30, 2023 (July 1 to September 30, 2023)	Three months ended September 30, 2024 (July 1 to September 30, 2024)
Net loss	(65,417)	(66,038)
Other comprehensive income		
Items that will not be reclassified to net income		
Changes in equity instruments measured at fair value through other comprehensive income	(243)	(1,193)
Remeasurement of defined benefit plans	0	1
Other comprehensive income of investments in associates and joint ventures	(3)	(10)
Total items that will not be reclassified to net income	(246)	(1,202)
Items that may be reclassified to net income		
Foreign currency translation adjustments	25,913	(95,674)
Changes in debt instruments measured at fair value through other comprehensive income	(6,503)	2,558
Cash flow hedges	1,288	2,048
Changes on insurance contracts due to changes in interest rates not recognized in profit or loss	(266)	129
Changes on reinsurance contracts due to changes in interest rates not recognized in profit or loss	(32)	213
Other comprehensive income of investments in associates and joint ventures	803	(3,795)
Total items that may be reclassified to net income	21,203	(94,521)
Total other comprehensive income, net of tax	20,957	(95,723)
Comprehensive income	(44,460)	(161,761)
Comprehensive income attributable to:		
Owners of the Company	(45,668)	(168,177)
Non-controlling interests	1,208	6,416
Comprehensive income	(44,460)	(161,761)

(3) Condensed Quarterly Consolidated Statement of Changes in Equity

For the nine months ended September 30, 2023 (January 1 to September 30, 2023)

(Millions of Yen)

	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	–	–	–	(208,447)	–	–	(208,447)	6,059	(202,388)
Other comprehensive income, net of tax	–	–	–	–	–	111,547	111,547	913	112,460
Total comprehensive income	–	–	–	(208,447)	–	111,547	(96,900)	6,972	(89,928)
Transactions with owners etc.									
Issuance of shares	148,005	146,780	–	–	–	–	294,785	–	294,785
Cash dividends paid	–	–	–	(7,157)	–	–	(7,157)	–	(7,157)
Distributions to owners of other equity instruments	–	–	–	(9,820)	–	–	(9,820)	–	(9,820)
Reclassified from other components of equity to retained earnings	–	–	–	(1,976)	–	1,976	–	–	–
Acquisition of treasury stock	–	–	–	–	(0)	–	(0)	–	(0)
Exercise of share acquisition rights	3,821	(3,821)	–	–	–	–	0	–	0
Share based compensation expenses	–	10,702	–	211	–	–	10,913	–	10,913
Equity transactions with non-controlling interests	–	(8,644)	–	–	–	1,287	(7,357)	92,174	84,817
Others	–	–	–	(5)	–	–	(5)	(1,133)	(1,138)
Total transactions with owners etc.	151,826	145,017	–	(18,747)	(0)	3,263	281,359	91,041	372,400
As of September 30, 2023	445,887	498,803	317,316	(507,279)	(0)	221,083	975,810	155,373	1,131,183

For the nine months ended September 30, 2024 (January 1 to September 30, 2024)

(Millions of Yen)

	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, 2024	446,769	541,520	317,316	(643,991)	(0)	174,958	836,572	251,151	1,087,723
Comprehensive income									
Net loss	–	–	–	(150,358)	–	–	(150,358)	23,217	(127,141)
Other comprehensive income, net of tax	–	–	–	–	–	9,132	9,132	(1,330)	7,802
Total comprehensive income	–	–	–	(150,358)	–	9,132	(141,226)	21,887	(119,339)
Transactions with owners etc.									
Issuance of shares	–	–	–	–	–	–	–	–	–
Cash dividends paid	–	–	–	–	–	–	–	–	–
Distributions to owners of other equity instruments	–	–	–	(11,590)	–	–	(11,590)	–	(11,590)
Reclassified from other components of equity to retained earnings	–	–	–	(473)	–	473	–	–	–
Acquisition of treasury stock	–	–	–	–	(3)	–	(3)	–	(3)
Exercise of share acquisition rights	4,525	(4,525)	–	–	–	–	0	–	0
Share based compensation expenses	–	12,005	–	229	–	–	12,234	–	12,234
Equity transactions with non-controlling interests	–	18	–	–	–	(13)	5	1,585	1,590
Others	–	–	–	(11)	–	–	(11)	–	(11)
Total transactions with owners etc.	4,525	7,498	–	(11,845)	(3)	460	635	1,585	2,220
As of September 30, 2024	451,294	549,018	317,316	(806,194)	(3)	184,550	695,981	274,623	970,604

(4) Condensed Quarterly Consolidated Statement of Cash Flows

(Millions of Yen)

	Nine months ended September 30, 2023 (January 1 to September 30, 2023)	Nine months ended September 30, 2024 (January 1 to September 30, 2024)
Cash flows from operating activities		
Loss before income tax	(180,444)	(98,084)
Depreciation and amortization	223,195	236,516
Other loss (income)	45,826	95,689
Decrease (Increase) in operating receivables	61,029	42,496
Decrease (Increase) in loans for credit card business	(14,833)	(70,880)
Increase (Decrease) in deposits for banking business	695,966	841,381
Net decrease (increase) in call loans for banking business	(1,210)	9,656
Decrease (Increase) in loans for banking business	(374,520)	(416,471)
Net decrease (Increase) in receivables under securities borrowing transactions	(20,960)	21,677
Increase (Decrease) in operating payables	(87,160)	(61,888)
Decrease (Increase) in financial assets for securities business	(520,246)	(750,155)
Increase (Decrease) in financial liabilities for securities business	488,022	905,835
Increase and decrease in derivative assets and liabilities	(57,176)	(37,081)
Others	(72,493)	139,701
Income tax paid	(23,333)	(38,889)
Net cash flows from operating activities	161,663	819,503
Cash flows from investing activities		
Payments in time deposits	(16,001)	(12,731)
Proceeds from time deposits	17,638	9,800
Purchases of property, plant and equipment	(147,854)	(68,773)
Purchases of intangible assets	(118,522)	(128,229)
Acquisitions of subsidiaries	(577)	(1)
Acquisitions of investments in associates and joint ventures	(199)	(400)
Proceeds from sales of investments in associates and joint ventures	22,000	3,793
Purchases of investment securities for banking business	(474,061)	(1,307,347)
Proceeds from sales and redemption of investment securities for banking business	346,346	758,177
Purchases of investment securities for insurance business	(44,794)	(37,205)
Proceeds from sales and redemption of investment securities for insurance business	60,051	77,334
Purchases of investment securities	(10,025)	(67,459)
Proceeds from sales and redemption of investment securities	11,179	3,720
Other payments	(7,821)	(5,732)
Other proceeds	14,103	8,100
Net cash flows from investing activities	(348,537)	(766,953)

(4) Condensed Quarterly Consolidated Statement of Cash Flows (Continued)

(Millions of Yen)

	Nine months ended September 30, 2023 (January 1 to September 30, 2023)	Nine months ended September 30, 2024 (January 1 to September 30, 2024)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(123,500)	(2,626)
Net increase (decrease) in commercial papers	(142,500)	62,000
Proceeds from long-term borrowings	25,657	186,750
Repayments of long-term borrowings	(95,761)	(102,065)
Proceeds from issuance of bonds	305,046	601,313
Redemption of bonds	(10,000)	(208,407)
Net increase (decrease) in short-term borrowings for securities business	(26,000)	47,000
Repayments of long-term borrowings for securities business	—	(18,600)
Net increase (decrease) in short-term borrowings for credit card business	(9,260)	(3,027)
Net increase (decrease) in commercial papers for credit card business	(146,900)	21,600
Proceeds from long-term borrowings for credit card business	83,812	105,191
Repayments of long-term borrowings for credit card business	(119,611)	(119,400)
Net increase (decrease) in short-term borrowings for banking business	7,840	91,252
Proceeds from long-term borrowings for banking business	1,097,200	132,200
Repayments of long-term borrowings for banking business	(967,200)	—
Proceeds from issuance of shares	294,244	—
Distributions to owners of other equity instruments	(10,110)	(10,039)
Proceeds from sales of shares of subsidiaries not resulting in change in scope of consolidation	71,755	—
Capital contribution from non-controlling interests	13,325	1,306
Repayments of lease liabilities	(49,174)	(46,568)
Interest paid	(24,190)	(39,698)
Cash dividends paid	(7,157)	—
Others	6,686	3,346
Net cash flows from financing activities	174,202	701,528
Effect of change in exchange rates on cash and cash equivalents	23,130	5,123
Net increase (decrease) in cash and cash equivalents	10,458	759,201
Cash and cash equivalents at the beginning of the period	4,694,360	5,127,674
Cash and cash equivalents at the end of the period	4,704,818	5,886,875

(5) Assumptions for Going Concern

For the nine months ended September 30, 2024 (January 1, 2024 to September 30, 2024) No items to report.

(6) Notes to the Condensed Quarterly Consolidated Financial Statements (Basis of Preparation)

The Rakuten Group's Condensed Quarterly Consolidated Financial Statements have been prepared in accordance with Article 5, Paragraph 2 of the Standards for the Preparation of Quarterly Financial Statements of the Tokyo Stock Exchange, Inc. (with the use of the omitted disclosures as specified in Article 5, paragraph 5 of the same standards). The Condensed Quarterly Consolidated Financial Statements are prepared in accordance with IAS 34 'Interim Financial Reporting', but some of the disclosure items and notes required by IAS 34 have been omitted. Therefore, the Condensed Quarterly Consolidated Financial Statements do not conform to a set of Condensed Financial Statements in accordance with IAS 34. As this summary does not contain all the information required in annual consolidated statements, it is advised to be used in combination with the consolidated financial statements for the fiscal year ended December 31, 2023.

(Material Accounting Policies)

Except for the following, material accounting policies adopted by the Rakuten Group in the Condensed Quarterly Consolidated Financial Statements for the nine months ended September 30, 2024 remain the same as those adopted in the consolidated financial statements for the previous fiscal year. In addition, income tax expenses for the nine months ended September 30, 2024 are calculated based upon an estimated annual effective tax rate.

The Rakuten Group has adopted the following accounting standard from the three months ended March 31, 2024. The adoption of the accounting standard does not have a material impact on the Condensed Quarterly Consolidated Financial Statements.

IFRS		Description
IAS 1	Presentation of Financial Statements	Clarifies the method in which an entity classifies debt and other liabilities as current or non-current
IAS 1	Presentation of Financial Statements	Improves information that an entity discloses regarding long-term debt with future covenants

(Significant Accounting Estimates and Judgments)

In preparing the Condensed Quarterly Consolidated Financial Statements under IFRS for the nine months ended September 30, 2024, 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.

Estimates and judgments that have a significant impact on the amounts in the Condensed Quarterly Consolidated Financial Statements for the nine months ended September 30, 2024 remain the same as those for the previous fiscal year.

(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.

(2) Measurement of Segment Revenue and Segment Profit (Loss) by Operating Segments.

The accounting treatment of the reported operating segment is based on IFRS, and operating segment revenue and segment profit (loss) are those 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 information used by the chief operating decision maker.

(3) Changes in Measurement Methods of Segment Revenue and Segment Profit (Loss) by Operating Segments.

1) Mobile segment-related investments

In anticipation of an increase in investments related to the mobile segment, an organization to oversee said investments was established during the three months ended September 30, 2024. This results in a change to the management of mobile segment-related investments but does not impact the nine months ended September 30, 2023 and the three months ended September 30, 2023.

2) Mobile Ecosystem Contribution

Considering the expanding mutual contribution effects between segments within the Rakuten Ecosystem, mutual contribution effects and mutual customer referral effects (hereinafter "Mobile Ecosystem Contribution") are reflected in the segment profit and loss to allow for a more precise performance evaluation from the three months ended September 30, 2024.

The Mobile Ecosystem Contribution is calculated based on the contribution effect derived from the tendency of Rakuten Mobile MNO subscribers to use various services of the Rakuten Group more than non-subscribers, minus the customer referral effect received from each segment. This calculation is reflected in the segment information for the nine months ended September 30, 2024 and the three months ended September 30, 2024.

Accordingly, segment profit and loss are restated for the same period of the previous year, as shown in the table below. There is no impact on consolidated revenue, Non-GAAP operating loss, or operating loss.

Mobile Ecosystem Contribution = i) Gross profit uplift effect of Rakuten Mobile MNO subscribers - ii) Customer referral effect from group companies to the mobile business

Calculation Method of Uplift Effect and Customer Referral Effect between Segments

i) Gross profit uplift effect of Rakuten Mobile MNO subscribers

Depending on the characteristics of each business of the Rakuten Group, the monthly amount is calculated using one of the following methods.

(a) The difference in the monthly average revenue per user over the past year between Rakuten Mobile MNO individual subscribers and non-subscribers in each business of the Rakuten Group × The gross profit margin of each business for each month × The number of Rakuten Mobile MNO individual subscribers at the end of each month

(b) The difference in annual usage rates in each business of the Rakuten Group between Rakuten Mobile MNO individual subscribers and non-subscribers × Monthly average revenue per user over the past year for each business × The gross profit margin of each business for each month × The number of Rakuten Mobile MNO individual subscribers at the end of each month

ii) Referral effect from group companies to the mobile business

Number of Rakuten Mobile MNO individual subscribers each month who signed up through group company sites × Referral cost

* Target businesses for uplift effect calculation

The calculation targets 18 businesses: Rakuten Ichiba, Rakuten Books, Rakuten Direct, Rakuten Bic, Rakuten Kobo, Rakuten Fashion, Rakuten Travel, Rakuten Mart, Rakuten Beauty, Rakuten Pay app payments, Rakuten Pay online payments, Rakuten Edy, Rakuten Point Card, Rakuten Card, Rakuten Bank, Rakuten Securities, Rakuten Life Insurance, and Rakuten General Insurance.

Nine months ended September 30, 2023 (January 1 to September 30, 2023)

(Millions of Yen)

	Internet Services	FinTech	Mobile	Total
Segment Revenue	867,016	533,589	265,086	1,665,691
Segment Profit (Loss)				
Before Considering	42,951	88,221	(266,297)	(135,125)
Mobile Ecosystem Contribution	(6,764)	(8,820)	15,584	–
After Considering	36,187	79,401	(250,713)	(135,125)

Nine months ended September 30, 2024 (January 1 to September 30, 2024)

(Millions of Yen)

	Internet Services	FinTech	Mobile	Total
Segment Revenue	904,169	604,383	300,788	1,809,340
Segment Profit (Loss)				
Before Considering	56,675	125,323	(188,070)	(6,072)
Mobile Ecosystem Contribution	(9,267)	(10,618)	19,885	–
After Considering	47,408	114,705	(168,185)	(6,072)

Three months ended September 30, 2023 (July 1 to September 30, 2023)

(Millions of Yen)

	Internet Services	FinTech	Mobile	Total
Segment Revenue	301,192	184,562	88,682	574,436
Segment Profit (Loss)				
Before Considering	16,625	28,581	(81,204)	(35,998)
Mobile Ecosystem Contribution	(2,893)	(3,142)	6,035	–
After Considering	13,732	25,439	(75,169)	(35,998)

Three months ended September 30, 2024 (July 1 to September 30, 2024)

(Millions of Yen)

	Internet Services	FinTech	Mobile	Total
Segment Revenue	314,570	208,229	105,987	628,786
Segment Profit (Loss)				
Before Considering	24,212	43,772	(55,501)	12,483
Mobile Ecosystem Contribution	(3,043)	(3,778)	6,821	–
After Considering	21,169	39,994	(48,680)	12,483

Reconciliation from Segment Revenue to Consolidated Revenue

(Millions of Yen)

	Nine months ended September 30, 2023 (January 1 to September 30, 2023)	Nine months ended September 30, 2024 (January 1 to September 30, 2024)
Segment Revenue	1,665,691	1,809,340
Intercompany Transactions, etc.	(174,452)	(191,719)
Consolidated Revenue	1,491,239	1,617,621

(Millions of Yen)

	Three months ended September 30, 2023 (July 1 to September 30, 2023)	Three months ended September 30, 2024 (July 1 to September 30, 2024)
Segment Revenue	574,436	628,786
Intercompany Transactions, etc.	(55,997)	(62,073)
Consolidated Revenue	518,439	566,713

Reconciliation from Segment Loss to Loss before Income Tax

(Millions of Yen)

	Nine months ended September 30, 2023 (January 1 to September 30, 2023)	Nine months ended September 30, 2024 (January 1 to September 30, 2024)
Segment Loss	(135,125)	(6,072)
Intercompany Transactions, etc.	(14,334)	(18,859)
Non-GAAP Operating Loss	(149,459)	(24,931)
Amortization of Intangible Assets	(6,509)	(5,462)
Share Based Compensation Expenses	(10,993)	(11,745)
One-off Items (Note)	(12,617)	(8,928)
Operating Loss	(179,578)	(51,066)
Financial Income and Expenses	10,157	(40,043)
Share of Losses of Investments in Associates and Joint Ventures	(11,023)	(6,975)
Loss before Income Tax	(180,444)	(98,084)

Note: One-off items listed for the nine months ended September 30, 2023 include costs temporarily incurred due to the cancellation of base station construction etc. of ¥10,222 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 fiscal year ended December 31, 2022. One-off items listed for the nine months ended September 30, 2024 include incurred expenses including maintenance and repair costs for base stations related to the 2024 Noto Peninsula Earthquake of ¥1,154 million, a loss on disposal of intangible assets for a part of the life and general insurance integrated core system and other systems in the insurance business of ¥1,793 million, gains from the sale of shares of Min-Shu, Inc. of ¥1,616 million, a write-down loss due to a review of contracts with certain agents and a revaluation of transactions recognized as assets from costs for contract acquisitions in the

mobile business of ¥5,413 million, as well as expenses related to the resolution of litigation with International Business Machines Corporation, etc. Moreover, the write- down loss on assets etc. from the recognition of costs for contract acquisitions in the mobile business is recognized in operating expenses, with income and expenses other than this mainly recorded in other income and other expenses of the Condensed Quarterly Consolidated Statement of Income.

(Millions of Yen)

	Three months ended September 30, 2023 (July 1 to September 30, 2023)	Three months ended September 30, 2024 (July 1 to September 30, 2024)
Segment Profit (Loss)	(35,998)	12,483
Intercompany Transactions, etc.	(5,051)	(141)
Non-GAAP Operating Income (Loss)	(41,049)	12,342
Amortization of Intangible Assets	(2,250)	(1,691)
Share Based Compensation Expenses	(2,996)	(4,059)
One-off Items (Note)	(8,196)	(6,055)
Operating Income (Loss)	(54,491)	537
Financial Income and Expenses	(1,101)	(51,953)
Share of Losses of Investments in Associates and Joint Ventures	(2,227)	(3,362)
Loss before Income Tax	(57,819)	(54,778)

Note: One-off items listed for the three months ended September 30, 2023 include costs temporarily incurred due to the cancellation of base station construction etc. of ¥8,245 million, associated with changes to capital expenditure plans resulting from a review of roaming agreements in the mobile business 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 fiscal year ended December 31, 2022. One-off items listed for the three months ended September 30, 2024 include the recording of a disposal loss related to a part of the insurance business system of ¥619 million, and a write-down loss due to a review of contracts with certain agents and a revaluation of transactions recognized as assets from costs for contract acquisitions in the mobile business of ¥5,413 million etc. Moreover, the write-down loss on assets etc. from the recognition of costs for contract acquisitions in the mobile business is recognized in operating expenses, with income and expenses other than this mainly recorded in other income and other expenses of the Condensed Quarterly Consolidated Statement of Income.

(Breakdown of Operating Expenses)

(Millions of Yen)

	Nine months ended September 30, 2023 (January 1 to September 30, 2023)	Nine months ended September 30, 2024 (January 1 to September 30, 2024)
Advertising and promotion expenditures	273,666	243,452
Employee benefits expenses	270,118	271,905
Depreciation and amortization	234,785	247,413
Communication and maintenance expenses	48,841	53,571
Consignment and subcontract expenses	106,978	93,571
Allowance for doubtful accounts charged to expenses	21,148	21,093
Cost of sales of merchandise and services rendered	488,483	484,176
Interest expenses for finance business	14,707	22,954
Commission fee expenses for finance business	19,071	20,734
Cost of sales for insurance business	29,846	34,956
Others	144,055	165,270
Total	1,651,698	1,659,095

(Other Income and Other Expenses)

(Millions of Yen)

	Nine months ended September 30, 2023 (January 1 to September 30, 2023)	Nine months ended September 30, 2024 (January 1 to September 30, 2024)
Gains on sales of investments in associates and joint ventures	—	3,793
Others (Note 1)	7,897	8,881
Total other income	7,897	12,674
Foreign exchange losses	1,502	1,835
Losses on disposal of property, plant and equipment and intangible assets (Note 2, 3)	2,242	5,974
Losses on valuation of investment securities	2,898	5,532
Impairment losses (Note 2)	6,739	1,984
Others (Note 2, 4)	13,635	6,941
Total other expenses	27,016	22,266

Note 1: Gains from the sale of shares of Min-Shu, Inc. were included for the nine months ended September 30, 2024.

Note 2: Incurred expenses including maintenance and repair costs for base stations related to the 2024 Noto Peninsula Earthquake were included for the nine months ended September 30, 2024.

Note 3: Losses on disposal of intangible assets for a part of the life and general insurance integrated core system and other systems in the insurance business were included for the nine months ended September 30, 2024.

Note 4: Expenses related to the resolution of litigation with International Business Machines Corporation were included for the nine months ended September 30, 2024.

(Financial Income and Financial Expenses)

(Millions of Yen)

	Nine months ended September 30, 2023 (January 1 to September 30, 2023)	Nine months ended September 30, 2024 (January 1 to September 30, 2024)
Gains on valuation of investment securities (Note 1)	4,122	68
Gains on valuation of derivatives (Note 2)	61,600	37,568
Others	2,249	3,257
Total financial income	67,971	40,893
Interest expenses (Note 3)	35,404	60,112
Losses on valuation of investment securities (Note 4)	—	8,931
Foreign exchange losses (Note 5)	19,990	2,805
Others	2,420	9,088
Total financial expenses	57,814	80,936

Note 1: Gains on valuation of investment securities related to an investment in Lyft, Inc. of ¥4,063 million were recorded for the nine months ended September 30, 2023.

Note 2: Gains on valuation of derivatives from the collar contract for the prepaid variable share forward transactions of shares of Lyft, Inc. of ¥15,076 million and gains on valuation of derivatives from currency swaps related to foreign currency denominated permanent subordinated bonds of ¥46,524 million were recorded for the nine months ended September 30, 2023. Gains on valuation of derivatives from the collar contract for the prepaid variable share forward transactions of shares of Lyft, Inc. of ¥13,567 million and gains on valuation of derivatives from currency swaps related to foreign currency denominated permanent subordinated bonds of ¥23,920 million were recorded for the nine months ended September 30, 2024.

Note 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 ¥754 million and of ¥826 million were recorded for the nine months ended September 30, 2023 and the nine months ended September 30, 2024, respectively.

Note 4: Losses on valuation of investment securities related to an investment in Lyft, Inc. of ¥8,882 million were recorded for the nine months ended September 30, 2024.

Note 5: Foreign exchange losses of ¥19,990 million and ¥2,805 million arising from liabilities relating to funds raised from the utilization of shares of Lyft, Inc. were recorded for the nine months ended September 30, 2023 and the nine months ended September 30, 2024, respectively.

(Significant Subsequent Events)

(1) Change in Accounting Treatment of AST Space Mobile, Inc. Shares

The Company previously accounted for its shares in AST Space Mobile, Inc. (hereinafter "AST") using the equity method, considering the substantial influence exerted over AST, including the dispatch of directors to the Board of Directors. In recent years, due to a continued decline in the Company's voting rights ratio and changes in the composition of AST's Board of Directors, etc., we have lost significant influence over AST on October 11, 2024. Therefore, the Company will account for these shares as financial assets measured at fair value through other comprehensive income.

As a result of this change in accounting treatment, the difference between the fair value of AST shares (Level 1 inputs) as of the date of the change, and the equity method book value on a consolidated basis, will be recorded in "Other Income" in the amount of ¥106,906 million yen in the consolidated financial statements for the fourth quarter of the fiscal year ending December 31, 2024.

(2) Sale of Shares of a Subsidiary

The Company decided at its Board of Directors meeting held on November 13, 2024 to sell 14.99% of the common shares (hereinafter the "Share Sale") of Rakuten Card Co., Ltd. held by the Company to Mizuho Financial Group, Inc. On the same day, the Company and Mizuho Financial Group, Inc. entered into a Shareholder Agreement and a Share Sale Agreement for the Share Sale.

An overview of the Share Sale is as follows:

i) Background and objectives of the Share Sale

The Share Sale aims to further accelerate collaboration with Mizuho Financial Group, Inc., enhancing growth in the core business of our FinTech operations, "Rakuten Card". Thereby, we intend to pursue growth opportunities not only in the stable personal business sector but also in the corporate sector, which is expected to expand in the future. By deepening and expanding our partnership with Mizuho Financial Group, Inc., which has a broad customer base, we believe we can expand the business domain and achieve sustainable growth for "Rakuten Card", as well as further expand and develop the entire Rakuten FinTech Ecosystem centered around Rakuten Card Co., Ltd. We have agreed to this strategic partnership, believing it will contribute to enhancing our corporate value.

ii) Overview of the subsidiary whose shares are to be sold

1) Name: Rakuten Card Co., Ltd.
2) Head office location: 2-6-21 Minami Aoyama, Minato-ku, Tokyo
3) Title and name of representative: Masayuki Hosaka, President
4) Description of business: Credit cards, card loans, credit guarantee services, etc.
5) Share capital: ¥19,323 million
6) Date of establishment: December 6, 2001
7) Major shareholders and ownership ratios: Rakuten Group, Inc. 100%

iii) Overview of the counterparty to share sale

1) Name: Mizuho Financial Group, Inc.
2) Head office location: 1-5-5 Otemachi, Chiyoda-ku, Tokyo
3) Title and name of representative: Masahiro Kihara, President & Group CEO
4) Description of business: Management of bank holding company, bank, securities company, and other companies that can be subsidiaries under the Banking Act, as well as related operations, and other businesses that a bank holding company is permitted to engage in under the Banking Act.

iv) Price of the shares to be sold and percentage of voting rights held before and after the Share Sale

1) Price of the shares to be sold: ¥164.9 billion

2) Date of shares to be sold: December 1, 2024

3) Percentage of voting rights held before the sale: 100%

4) Percentage of voting rights held after the sale: 85.01% (Note)

(Note) Rakuten Card Co., Ltd. will remain a consolidated subsidiary of the Company after the Share Sale.

At this time, the impact of this change to the consolidated financial statements cannot be determined.

(3) Partial Settlement of Prepaid Variable Share Forward Transactions of Shares of Lyft, Inc.

The Company decided at its Board of Directors meeting held on November 13, 2024, to settle a part of the financing for the prepaid variable share forward transactions of shares of Lyft, Inc. using shares of Lyft, Inc.

As a result, in the three months ending December 31, 2024, liabilities associated with the financing using shares of Lyft, Inc. recorded in "Other financial liabilities", the derivatives associated with the collar agreement involving shares of Lyft, Inc. recorded in "Derivative assets" and the balance of shares of Lyft, Inc. recorded in "Investment securities" will decrease, with profit or loss due to the early cancellation of part of the contract expected to be recorded in "Financial income" or "Financial expenses." Since the effective date and conditions of the cancellation amount etc. are yet to be decided, at this time, the impact of this change to the consolidated financial statements cannot be determined.

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