

The following information was originally prepared and published by the Company in Japanese as it contains timely disclosure materials to be submitted to the Tokyo Stock Exchange. This English summary translation is for your convenience only. To the extent there is any discrepancy between this English translation and the original Japanese version, please refer to the Japanese version. The following financial information was prepared in accordance with International Financial Reporting Standards ("IFRS").

Consolidated Financial Reports (IFRS) for the three months ended March 31, 2023

Rakuten Group, Inc.
May 12, 2023

Company name	Rakuten Group, Inc.		Listed	Tokyo Stock Exchange
Code No	4755		URL	https://global.rakuten.com/corp/
Representative	(Title) Chairman and CEO	(Name)	Hiroshi Mikitani	
Contact person	(Title) Director and Group Executive Vice President CFO	(Name)	Kenji Hirose	

Supplementary materials for financial results: Yes
Financial results information meeting held: Yes (For institutional investors and analysts)

1. Consolidated Results for the three months ended March 31, 2023 (January 1 – March 31, 2023)

(Yen amounts are rounded to the nearest million)

(1) Consolidated Operating Results

(%, YoY)

	Revenue		Operating income		Income before income tax		Net income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Three months ended March 31, 2023	475,635	9.3	(76,194)	—	(79,403)	—	(82,620)	—
Three months ended March 31, 2022	435,020	—	(113,184)	—	(119,261)	—	(92,525)	—

	Net income attributable to owners of the Company		Comprehensive income		Basic earnings per share attributable to owners of the Company	Diluted earnings per share attributable to owners of the Company
	Millions of Yen	%	Millions of Yen	%	Yen	Yen
Three months ended March 31, 2023	(82,567)	—	(66,234)	—	(51.88)	(52.08)
Three months ended March 31, 2022	(91,842)	—	(59,918)	—	(58.03)	(58.03)

Note: The Rakuten Group has applied IFRS 17 "Insurance Contracts" (hereinafter "IFRS 17") from the beginning of the first quarter ended March 31, 2023, and reflected the cumulative effect of this accounting standard change on the date of initial application of January 1, 2022. As a result, figures for the first quarter ended March 31, 2022 reflect the retrospective application of IFRS 17. As such, the ratios of year-on-year change for the first quarter ended March 31, 2022 is not stated.

(2) Consolidated Financial Position

	Total assets	Total equity	Total equity attributable to owners of the Company	Ratio of total equity attributable to owners of the Company to total assets
	Millions of Yen	Millions of Yen	Millions of Yen	%
As of March 31, 2023	20,349,537	779,417	721,691	3.5
As of December 31, 2022	20,402,281	848,711	791,351	3.9

Note: The Rakuten Group has applied IFRS 17 from the beginning of the first quarter ended March 31, 2023, and reflected the cumulative effect of this accounting standard change on the date of initial application of January 1, 2022. As a result, figures for the fiscal year ended December 31, 2022 reflect the retrospective application of IFRS 17.

2. Dividends

	Dividend per Share				
	1Q	2Q	3Q	4Q	Year
	Yen	Yen	Yen	Yen	Yen
FY2022	—	0.00	—	4.50	4.50
FY2023	—	—	—	—	—
FY2023 (Forecast)	—	—	—	—	—

Note: Dividend per share for the fiscal year ending December 31, 2023 has not been decided yet, and there are no changes to the previously disclosed dividend forecast.

3. Estimate of Consolidated Operating Results for fiscal year 2023 (January 1 to December 31, 2023)

For the estimate of consolidated operating results for fiscal year 2023, double-digit growth on consolidated operating results for the fiscal year 2022 is estimated for fiscal year 2023 consolidated revenue, excluding the securities business whose results are heavily impacted by stock market conditions. (For details, see page 9, “1. Qualitative Information, Financial Statements, etc. (3) Qualitative Information about Consolidated Business Forecasts”.)

Note: There are no changes to the previously disclosed consolidated forecasts for the year ending December 31, 2023.

Notes

(1) Changes in Significant Subsidiaries during the Current Period

(Changes in Specified Subsidiaries resulting in Change in Scope of Consolidation): No

New: — (Company name: —) Excluded: — (Company name: —)

(2) Changes in Accounting Policies and Changes in Accounting Estimates

1. Changes in accounting policies required by IFRS: Yes
2. Changes in accounting policies due to other reasons: No
3. Changes in accounting estimates: No

(Note) For details, see page 16, “2. Consolidated Financial Statements (Summary) and Notes

(6) Notes to the Summary of Consolidated Financial Statements for the three months ended March 31, 2023 (Material Accounting Policies)”.

(3) Number of Shares Issued (Common Stock)

1. Total number of shares issued at the end of the period (including treasury stocks)
1,592,398,500 shares (As of March 31, 2023)
1,590,463,000 shares (As of December 31, 2022)
2. Number of treasury stocks at the end of the period
244 shares (As of March 31, 2023)
244 shares (As of December 31, 2022)
3. Average number of shares during the period (cumulative from the beginning of the year)
1,591,350,897 shares (January 1 – March 31, 2023)
1,582,629,844 shares (January 1 – March 31, 2022)

This financial report is not subject to an audit firm’s quarterly review.

Explanation about the Appropriate Use of Earnings Forecasts, and Other Special Matters

Consolidated earnings forecasts for the year ending December 31, 2023 are based on information that is available at the time of writing, but a number of known and unknown factors could cause actual results to differ from projections.

1. Qualitative Information, Financial Statements, etc.

(1) Qualitative Information Concerning Consolidated Business Results

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

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

The Rakuten Group has applied IFRS 17 “Insurance Contracts” from the beginning of the first quarter ended March 31, 2023. As a result, figures for the FinTech segment for the three months ended March 31, 2023 have been restated reflecting the cumulative effect of this accounting standard change as of the beginning of the previous fiscal year, being the date of initial application. For further details, please refer to “2. Consolidated Financial Statements (Summary) and Notes, (6) Notes to the Summary of Consolidated Financial Statements for the three months ended March 31, 2023, (Material Accounting Policies)”.

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

i) Business Results for the three months ended March 31, 2023 (Non-GAAP basis)

Although the world economy continued to pick up moderately during the three months ended March 31, 2023 despite weakness seen in some regions, it will be necessary to pay attention to the impact from global monetary tightening as well as increasing risk of economic downturn due to rising prices and other factors. Despite some weaknesses, the Japanese economy is recovering moderately including consumer spending, and going forward, it is expected to pick up partly due to the effects of various policies.

According to the “White Paper on Information and Communications in Japan” (Note), ICT has become an indispensable social and economic infrastructure for daily life with the emergence of new ICT services such as drones and AI and their rapid penetration into society. In addition, the Company believes that societal demand has increased even further for various digital services as we entered a period of transformation into a world where we live with COVID-19.

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

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

As a result, the Rakuten Group recorded revenue of ¥475,635 million, up 9.3% year-on-year for the three

months ended March 31, 2023. In the Mobile segment, although its segment loss peaked in the first quarter ended March 31, 2022 and has contracted thereafter, it recorded a Non-GAAP operating loss of ¥68,968 million, compared to a Non-GAAP operating loss of ¥99,139 million in the three months ended March 31, 2022 due to ongoing prior investments such as the installation of its own base stations.

Note: Source: “2022 White Paper on Information and Communications in Japan” (Ministry of Internal Affairs and Communications)

(Non-GAAP)

	(Millions of Yen)			
	Three months ended March 31, 2022	Three months ended March 31, 2023	Amount Change YoY	% Change YoY
Revenue	435,020	475,635	40,615	9.3%
Non-GAAP operating loss	(99,139)	(68,968)	30,171	—%

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

For the three months ended March 31, 2023, amortization of intangible assets of ¥2,099 million and share based compensation expenses of ¥4,115 million were excluded from Non-GAAP operating income. One-off items of ¥8,614 million listed for the three months ended March 31, 2022 were expenses associated with an increase in provision for customer points as a result of revisions in the Rakuten Point Terms of Use. One-off items listed for the three months ended March 31, 2023 include 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.

	(Millions of Yen)		
	Three months ended March 31, 2022	Three months ended March 31, 2023	Amount Change YoY
Non-GAAP operating loss	(99,139)	(68,968)	30,171
Amortization of intangible assets (PPA)	(1,972)	(2,099)	(127)
Share based compensation expenses	(3,459)	(4,115)	(656)
One-off items	(8,614)	(1,012)	7,602
IFRS operating loss	(113,184)	(76,194)	36,990

iii) Business Results for the three months ended March 31, 2023 (IFRS basis)

For the three months ended March 31, 2023, the Rakuten Group recorded revenue of ¥475,635 million, up 9.3% year-on-year, and an IFRS operating loss of ¥76,194 million, compared with an IFRS operating loss of ¥113,184 million in the three months ended March 31, 2022, and a net loss attributable to owners of the Company of ¥82,567 million, compared with a net loss of ¥91,842 million in the three months ended March 31, 2022.

(IFRS)

(Millions of Yen)

	Three months ended March 31, 2022	Three months ended March 31, 2023	Amount Change YoY	% Change YoY
Revenue	435,020	475,635	40,615	9.3%
IFRS operating loss	(113,184)	(76,194)	36,990	—%
Net loss attributable to owners of the Company	(91,842)	(82,567)	9,275	—%

iv) Segment Information

Business results for each segment are as follows. In terms of the IFRS management approach, segment profit or loss is presented on a Non-GAAP operating income basis.

From the second quarter ended June 30, 2022, the aggregation method of point expenses in the headquarters administrative departments and business departments has been changed and applied retrospectively in the Rakuten Group. In accordance with this change, segment profit in the Internet Services segment decreased by ¥985 million for the three months ended March 31, 2022, compared to those before the retrospective application. This change has no impact on consolidated revenue, Non-GAAP operating loss, or operating loss amounts.

Effective from the first quarter 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 these changes, segment revenue increased by ¥3,735 million and segment profit decreased by ¥2,726 million in the Internet Services segment, and segment revenue and segment loss in the Mobile segment decreased by the same amount for the three months ended March 31, 2022.

Internet Services

In domestic e-commerce services, the mainstay of Internet services, the Rakuten Group is aiming for further growth in gross merchandise sales and revenue by working on various initiatives, including sales promotion activities to cultivate loyal customers and win new customers, promotion of cross-use of services, promotion of the introduction of a common free shipping threshold and further opening up the Rakuten Ecosystem. In the internet shopping mall “Rakuten Ichiba”, various measures and sales promotion activities which sought to improve customer convenience and satisfaction successfully led to further retention of customers. Meanwhile, the online travel booking service, “Rakuten Travel”, saw significant growth in transaction value compared to the previous fiscal year, thanks to the success of sales promotion measures and other measures in line with the recovery in demand for domestic travel, backed by continued government support measures and other measures. In addition, sales in the advertising business continued to grow as the marketplace became more attractive due to the growth in transaction value in domestic e-commerce services.

In other Internet services including overseas Internet services, revenue grew mainly in the US cashback service “Rakuten Rewards”. In addition, segment profit decreased year-on-year mainly due to the impact of the economic slowdown on the advertising business and other businesses in the US region.

As a result, revenue for the Internet Services segment rose to ¥271,138 million, an 8.7% year-on-year increase, while segment profit stood at ¥11,851 million, a 17.1% year-on-year decrease.

(Millions of Yen)

	Three months ended March 31, 2022	Three months ended March 31, 2023	Amount Change YoY	% Change YoY
Segment revenue	249,518	271,138	21,620	8.7%
Segment profit	14,291	11,851	(2,440)	(17.1)%

FinTech

In credit card related services, the number of new cards issued continued to increase after the cumulative total number of Rakuten cards issued surpassed 28 million in December 2022. A recovery in offline consumption was seen primarily against a backdrop of the lifting of the COVID-19 pre-emergency status in March 2022, and there were continuous needs for online consumption, which has rooted with stay-at-home consumption amid the COVID-19 pandemic, resulting in growth in shopping transaction volume. In banking services, the number of savings accounts surpassed 13.38 million in December 2022 and the customer base has continued to expand thereafter. In securities services, the number of customers who have set up investment trust savings accounts using "Rakuten Cash" payments exceeded 1 million in just nine months since the launch of the service, further increasing customer retention.

As a result, the FinTech segment recorded ¥168,025 million in revenue, a 7.6% year-on-year increase, while segment profit stood at ¥26,640 million, a 20.4% year-on-year increase.

(Millions of Yen)

	Three months ended March 31, 2022	Three months ended March 31, 2023	Amount Change YoY	% Change YoY
Segment revenue	156,152	168,025	11,873	7.6%
Segment profit	22,129	26,640	4,511	20.4%

Mobile

In mobile services, we worked to improve network quality by focusing on installing our own base stations ahead of schedule. In addition, with the transition to new rate plans, telecommunication fees increased, contributing to the growth in revenue.

As a result, the Mobile segment recorded ¥96,333 million in revenue, a 25.7% year-on-year increase. Although a segment loss of ¥102,662 million (compared to losses of ¥132,320 in the three months ended March 31, 2022) was recorded due to ongoing prior investments in the Mobile segment such as the installation of our own base stations, the loss has contracted since its peak in the first quarter ended March 31, 2022.

(Millions of Yen)

	Three months ended March 31, 2022	Three months ended March 31, 2023	Amount Change YoY	% Change YoY
Segment revenue	76,618	96,333	19,715	25.7%
Segment loss	(132,320)	(102,662)	29,658	—%

(2) Analysis Concerning Financial Position

i) Assets, Liabilities, and Equity

Assets

Total assets as of March 31, 2023 amounted to ¥20,349,537 million, a decrease of ¥52,744 million from ¥20,402,281 million at the end of the previous fiscal year. The primary factors were an increase of ¥232,606 million in loans for banking business, offset by a decrease of ¥190,130 million in cash and cash equivalents and a decrease of ¥128,456 million in loans for credit card business.

Liabilities

Total liabilities as of March 31, 2023 amounted to ¥19,570,120 million, an increase of ¥16,550 million from ¥19,553,570 million at the end of the previous fiscal year. The primary factors include a decrease of ¥141,065 million in other financial liabilities and a decrease of ¥70,765 million in bonds and borrowings for credit card business, offset by an increase of ¥145,718 million in deposits for banking business and an increase of ¥107,740 million in borrowings for banking business.

Equity

Total equity as of March 31, 2023 was ¥779,417 million, a decrease of ¥69,294 million from ¥848,711 million at the end of the previous fiscal year. The primary factors include a decrease of ¥90,829 million in retained earnings due mainly to the recording of ¥82,567 million in net loss attributable to owners of the Company during the three months ended March 31, 2023.

ii) Cash Flows

Cash and cash equivalents as of March 31, 2023 stood at ¥4,504,230 million, a decrease of ¥190,130 million from the end of the previous fiscal year. Cash flow conditions and their main factors for the three months ended March 31, 2023 are as follows.

Cash Flows from Operating Activities

Net cash flows from operating activities for the three months ended March 31, 2023 resulted in a cash outflow of ¥122,561 million (compared with a cash outflow of ¥209,972 million for the same period of the previous fiscal year). Main factors included a cash inflow of ¥143,975 million due to an increase in deposits for banking business, offset by a cash outflow of ¥232,487 million due to an increase in loans for banking business.

Cash Flows from Investing Activities

Cash flows from investing activities for the three months ended March 31, 2023 resulted in a cash outflow of ¥109,862 million (compared with a cash outflow of ¥403,607 million for the same period of the previous fiscal year). Main factors included a net cash outflow of ¥28,269 million due to purchases and sales, etc. of investment securities for banking business (a cash outflow of ¥133,801 million due to purchases and a cash inflow of ¥105,532 million from sales and redemption) and a cash outflow of ¥67,637 million due to purchases of property, plant and equipment.

Cash Flows from Financing Activities

Cash flows from financing activities for the three months ended March 31, 2023 resulted in a cash inflow of ¥39,243 million (compared with a cash inflow of ¥529,470 million for the same period of the previous fiscal year). Main factors included a cash outflow of ¥123,500 million in net decrease in short-term borrowings, a cash outflow of ¥110,000 million in net decrease in commercial papers, a cash outflow of ¥51,200 million in net decrease in commercial papers for credit card business, a cash outflow of ¥39,674 million due to repayments of long-term borrowings for credit card business, and a cash outflow of ¥35,000 million in net decrease in short-term borrowings for securities business, offset by a cash inflow of ¥305,046 million due to proceeds from issuance of bonds and a net cash inflow of ¥100,000 million of long-term borrowings for banking business (a cash inflow of ¥367,600 million due to borrowings and a cash outflow of ¥267,600 million from repayments).

(3) Qualitative Information about Consolidated Business Forecasts

Currently, for the forecast of consolidated operating results for fiscal year 2023, the Rakuten Group aims at double-digit growth from the previous fiscal year for consolidated revenue, excluding results from the securities business which are impacted substantially by stock market conditions. However, there is a possibility that some businesses may experience a decrease in revenue due to factors such as spread of infection diseases, the situation in Ukraine, and price hikes.

The outlook for each segment for the current fiscal year is as follows.

Internet Services

In the area of domestic Internet services including e-commerce, the Rakuten Group will continue to aim for further growth in gross transaction value and revenue by pursuing various initiatives, such as cultivating a loyal customer base, winning new customers, promoting cross-use of services, and further opening up the Rakuten Ecosystem with a view to expanding the e-commerce platform, while creating new markets through the use of technologies such as data and AI. Although the travel booking service, “Rakuten Travel”, and other services are performing well due to the renewed expansion of inbound demand and government travel support measures, there is a possibility that revenue and profit may decrease depending on the continuation of such measures and the impact of infection diseases and other factors. In overseas Internet services, we aim to expand the Rakuten Ecosystem’s membership base, raise the profile of the brand, and provide new value to users.

FinTech

In credit card related services, we will continue striving to achieve further growth in shopping transaction value by strengthening marketing initiatives aimed at expanding market share and Group synergies. In banking services, we will work on measures to promote use as a primary bank account, such as the use of the bank account for depositing salaries, in addition to the acquisition of new accounts. In insurance services, we will aim for further growth through increasing the number of new policies and expanding our products that have a high level of affinity with Internet services. It is difficult to make a forecast for securities services due to the substantial impact of stock market conditions.

Mobile

In mobile services, revenue from telecommunication charges is expected to increase due to an increase in new subscribers and increased data usage. In addition, the new roaming contracts are expected to improve the customer experience. After reviewing future capital expenditures and operating expenses, we believe it would be difficult to turn profitable on a monthly operating income basis for the mobile business alone in 2023, but we aim for profitability on an annual basis as soon as possible. We will continue to work on improving the customer experience in order to enhance customer satisfaction and acquire even more subscribers.

2. Consolidated Financial Statements (Summary) and Notes

(1) Consolidated Statement of Financial Position (Summary)

(Millions of Yen)

	As of December 31, 2022	As of March 31, 2023
Assets		
Cash and cash equivalents	4,694,360	4,504,230
Accounts receivable – trade	364,186	310,772
Financial assets for securities business	3,430,776	3,468,514
Loans for credit card business	2,776,044	2,647,588
Investment securities for banking business	916,651	953,144
Loans for banking business	3,507,559	3,740,165
Investment securities for insurance business	269,867	243,046
Derivative assets	181,106	192,637
Investment securities	161,071	155,055
Other financial assets	1,190,531	1,157,418
Investments in associates and joint ventures	77,541	77,448
Property, plant and equipment	1,262,115	1,285,949
Intangible assets	954,698	969,058
Deferred tax assets	290,013	296,208
Other assets	325,763	348,305
Total assets	20,402,281	20,349,537
Liabilities		
Accounts payable – trade	450,562	396,650
Deposits for banking business	8,419,097	8,564,815
Financial liabilities for securities business	3,494,467	3,507,777
Derivative liabilities	35,727	24,593
Bonds and borrowings	1,760,781	1,821,416
Borrowings for securities business	157,542	122,551
Bonds and borrowings for credit card business	812,738	741,973
Borrowings for banking business	2,181,689	2,289,429
Other financial liabilities	1,626,499	1,485,434
Income tax payable	18,139	12,708
Provisions	242,909	238,539
Insurance contract liabilities	189,376	180,709
Employee retirement benefit liabilities	34,743	36,447
Deferred tax liabilities	4,129	4,056
Other liabilities	125,172	143,023
Total liabilities	19,553,570	19,570,120
Equity		
Equity attributable to owners of the Company		
Common stock	294,061	295,005
Capital surplus	353,786	356,843
Other equity instruments	317,316	317,316
Retained earnings	(280,085)	(370,914)
Treasury stock	(0)	(0)
Other components of equity	106,273	123,441
Total equity attributable to owners of the Company	791,351	721,691
Non-controlling interests	57,360	57,726
Total equity	848,711	779,417
Total liabilities and equity	20,402,281	20,349,537

(2) Consolidated Statements of Income and Comprehensive Income (Summary)

Consolidated Statement of Income (Summary)

(For the three months ended March 31, 2022 and 2023)

(Millions of Yen)

	Three months ended March 31, 2022 (January 1 to March 31, 2022)	Three months ended March 31, 2023 (January 1 to March 31, 2023)
Continuing Operations		
Revenue	435,020	475,635
Operating expenses	539,743	550,438
Other income	1,296	4,976
Other expenses	9,757	6,367
Operating loss	(113,184)	(76,194)
Financial income	15,896	17,457
Financial expenses	21,354	20,033
Share of losses of investments in associates and joint ventures	(619)	(633)
Loss before income tax	(119,261)	(79,403)
Income tax expenses (benefit)	(26,736)	3,217
Net loss	(92,525)	(82,620)
Net loss attributable to:		
Owners of the Company	(91,842)	(82,567)
Non-controlling interests	(683)	(53)
Net loss	(92,525)	(82,620)
		(Yen)
Losses per share attributable to owners of the Company		
Basic	(58.03)	(51.88)
Diluted	(58.03)	(52.08)

Consolidated Statement of Comprehensive Income (Summary)

(For the three months ended March 31, 2022 and 2023)

(Millions of Yen)

	Three months ended March 31, 2022 (January 1 to March 31, 2022)	Three months ended March 31, 2023 (January 1 to March 31, 2023)
Net loss	(92,525)	(82,620)
Other comprehensive income		
Items that will not be reclassified to net income		
Changes on equity instruments measured at fair value through other comprehensive income	327	392
Remeasurement of defined benefit plans	17	10
Other comprehensive income of investment in associates and joint ventures	(30)	4
Total items that will not be reclassified to net income	314	406
Items that may be reclassified to net income		
Foreign currency translation adjustments	36,423	11,699
Changes on debt instruments measured at fair value through other comprehensive income	(5,493)	5,552
Cash flow hedges	(1,273)	(101)
Changes in the difference between discount rate change on insurance contracts	423	(2,102)
Changes in the difference between discount rate change on reinsurance contracts	227	390
Other comprehensive income of investments in associates and joint ventures	1,986	542
Total items that may be reclassified to net income	32,293	15,980
Total other comprehensive income, net of tax	32,607	16,386
Comprehensive income	(59,918)	(66,234)
Comprehensive income attributable to:		
Owners of the Company	(59,630)	(66,600)
Non-controlling interests	(288)	366
Comprehensive income	(59,918)	(66,234)

(3) Consolidated Statement of Changes in Equity (Summary)

(For the three months ended March 31, 2022)

(Millions of Yen)

	Equity attributable to Owners of the Company						Total Equity attributable to Owners of the Company	Non-controlling Interests	Total Equity
	Common Stock	Capital Surplus	Other Equity Instruments	Retained Earnings	Treasury Stock	Accumulated other comprehensive income in 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	—	—	—	(91,842)	—	—	(91,842)	(683)	(92,525)
Other comprehensive income, net of tax	—	—	—	—	—	32,212	32,212	395	32,607
Total comprehensive income	—	—	—	(91,842)	—	32,212	(59,630)	(288)	(59,918)
Transactions with owners etc.									
Cash dividends paid	—	—	—	(7,118)	—	—	(7,118)	—	(7,118)
Reclassified from other components of equity to retained earnings	—	—	—	(420)	—	420	—	—	—
Acquisition of treasury stock	—	—	—	—	(0)	—	(0)	—	(0)
Exercise of share options	933	(933)	—	—	—	—	0	—	0
Share-based payment expenses	—	3,372	—	86	—	—	3,458	—	3,458
Others	—	—	—	(236)	—	—	(236)	320	84
Total transactions with owners etc.	933	2,439	—	(7,688)	(0)	420	(3,896)	320	(3,576)
As of March 31, 2022	290,607	314,409	317,316	21,351	(0)	70,441	1,014,124	23,603	1,037,727

(For the three months ended March 31, 2023)

(Millions of Yen)

	Equity attributable to Owners of the Company						Total Equity attributable to Owners of the Company	Non-controlling Interests	Total Equity
	Common Stock	Capital Surplus	Other Equity Instruments	Retained Earnings	Treasury Stock	Accumulated other comprehensive income in 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	—	—	—	(82,567)	—	—	(82,567)	(53)	(82,620)
Other comprehensive income, net of tax	—	—	—	—	—	15,967	15,967	419	16,386
Total comprehensive income	—	—	—	(82,567)	—	15,967	(66,600)	366	(66,234)
Transactions with owners etc.									
Cash dividends paid	—	—	—	(7,157)	—	—	(7,157)	—	(7,157)
Reclassified from other components of equity to retained earnings	—	—	—	(1,201)	—	1,201	—	—	—
Acquisition of treasury stock	—	—	—	—	—	—	—	—	—
Exercise of share options	944	(944)	—	—	—	—	0	—	0
Share-based payment expenses	—	4,001	—	96	—	—	4,097	—	4,097
Others	—	—	—	—	—	—	—	—	—
Total transactions with owners etc.	944	3,057	—	(8,262)	—	1,201	(3,060)	—	(3,060)
As of March 31, 2023	295,005	356,843	317,316	(370,914)	(0)	123,441	721,691	57,726	779,417

(4) Consolidated Statement of Cash Flows (Summary)

(Millions of Yen)

	Three months ended March 31, 2022 (January 1 to March 31, 2022)	Three months ended March 31, 2023 (January 1 to March 31, 2023)
Cash flows from operating activities		
Loss before income tax	(119,261)	(79,403)
Depreciation and amortization	57,874	72,061
Other loss (income)	19,950	20,729
Decrease (Increase) in operating receivables	47,570	53,431
Decrease (Increase) in loans for credit card business	128,933	128,647
Increase (Decrease) in deposits for banking business	473,955	143,975
Net decrease (increase) in call loans for banking business	(5,183)	5,091
Decrease (Increase) in loans for banking business	(391,071)	(232,487)
Decrease (Increase) in receivables under securities borrowing transactions	(216,607)	(19,825)
Increase (Decrease) in operating payables	(40,554)	(57,705)
Decrease (Increase) in financial assets for securities business	(279,566)	(37,880)
Increase (Decrease) in financial liabilities for securities business	289,942	13,257
Increase and decrease in derivative assets and liabilities	(18,024)	(13,219)
Others	(147,959)	(108,034)
Income tax paid	(9,971)	(11,199)
Net cash flows from operating activities	(209,972)	(122,561)
Cash flows from investing activities		
Payments in time deposits	(7,485)	(9,815)
Proceeds from time deposits	5,439	7,479
Purchases of property, plant and equipment	(71,319)	(67,637)
Purchases of intangible assets	(32,849)	(33,554)
Acquisitions of subsidiaries	(346)	(11)
Acquisitions of investments in associates and joint ventures	(42)	(199)
Purchases of investment securities for banking business	(647,714)	(133,801)
Proceeds from sales and redemption of investment securities for banking business	342,625	105,532
Purchases of investment securities for insurance business	(16,056)	(11,975)
Proceeds from sales and redemption of investment securities for insurance business	32,422	32,630
Purchases of investment securities	(2,292)	(2,755)
Proceeds from sales and redemption of investment securities	2,066	6,895
Other payments	(9,356)	(4,657)
Other proceeds	1,300	2,006
Net cash flows from investing activities	(403,607)	(109,862)

(4) Consolidated Statement of Cash Flows (Continued)

(Millions of Yen)

	Three months ended March 31, 2022 (January 1 to March 31, 2022)	Three months ended March 31, 2023 (January 1 to March 31, 2023)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	—	(123,500)
Net increase (decrease) in commercial papers	52,000	(110,000)
Proceeds from long-term borrowings	41,400	18,125
Repayments of long-term borrowings	(22,553)	(31,707)
Proceeds from issuance of bonds	—	305,046
Net increase (decrease) in short-term borrowings for securities business	(48,000)	(35,000)
Net increase (decrease) in short-term borrowings for credit card business	(11,700)	(24,207)
Net increase (decrease) in commercial papers for credit card business	—	(51,200)
Proceeds from long-term borrowings for credit card business	73,977	44,200
Repayments of long-term borrowings for credit card business	(39,272)	(39,674)
Net increase (decrease) in short-term borrowings for banking business	156,500	7,648
Proceeds from long-term borrowings for banking business	349,200	367,600
Repayments of long-term borrowings for banking business	—	(267,600)
Repayments of lease liabilities	(12,791)	(16,733)
Interest paid	(2,775)	(3,100)
Cash dividends paid	(7,118)	(7,157)
Others	602	6,502
Net cash flows from financing activities	529,470	39,243
Effect of change in exchange rates on cash and cash equivalents	6,848	3,050
Net increase (decrease) in cash and cash equivalents	(77,261)	(190,130)
Cash and cash equivalents at the beginning of the period	4,410,301	4,694,360
Cash and cash equivalents at the end of the period	4,333,040	4,504,230

(5) Assumptions for Going Concern

No items to report.

(6) Notes to the Summary of Consolidated Financial Statements for the three months ended March 31, 2023

(Basis of Presentation)

The Rakuten Group's summary of consolidated financial statements for the three months ended March 31, 2023 meets the requirements set out under Article 1-2 of the Rules on Terminology, Formats and Compilation Methods of Quarterly Consolidated Financial Statements (Cabinet Office Ordinance No. 64 of 2007; hereinafter referred to as the "Rules on Quarterly Consolidated Financial Statements") under which the Rakuten Group is qualified as a "Specified Company under the Designated International Accounting Standards" and duly prepares such summary in accordance with IAS 34 "Interim Financial Reporting" under the provision of Article 93 of the Rules on Quarterly Consolidated Financial Statements. 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, 2022.

(Significant Changes in the Scope of Consolidation and the Scope of Equity Method Application)

There were no significant changes neither in the scope of consolidation nor in the scope of equity method with respect to the summary of consolidated financial statements for the three months ended March 31, 2023, as compared with the consolidated financial statements for the fiscal year ended December 31, 2022.

(Material Accounting Policies)

Except for the following, material accounting policies adopted by the Rakuten Group in this summary of consolidated financial statements for the three months ended March 31, 2023 remain the same as those adopted in the consolidated financial statements for the previous fiscal year. In addition, income tax expenses for the three months ended March 31, 2023 are calculated based upon an estimated annual effective tax rate.

Application of IFRS 17 "Insurance Contracts"

The Rakuten Group has applied the following accounting standard from the three months ended March 31, 2023.

IFRS		Description
IFRS 17	Insurance contracts	Revision of accounting of insurance contracts

The Rakuten Group applied IFRS 17 "Insurance Contracts" (hereinafter "IFRS 17") and restatement is presented at the beginning of the previous fiscal year, being the date of initial application.

• Insurance Contracts

The Rakuten Group classifies contracts involving the acceptance of significant insurance risk as insurance contracts. Insurance contracts are, for the purpose of measurement, categorized as the insurance contract group which is determined by identifying the portfolio of insurance contracts. Each portfolio comprises multiple contracts exposed to similar risks and bundled for management purposes, which are divided into three groups based on the profitability of contracts allocated into each portfolio.

- A group of contracts which are onerous at initial recognition
- A group of contracts which are, at initial recognition, no significant possibility to become onerous subsequently
- Rest of contracts within the portfolio

An insurance contract issued by the Rakuten Group is recognized at the earliest of the following.

- At the inception of the coverage period (e.g. a period in which the Rakuten Group provides services in return for the insurance premium within the bounds of the insurance contract)
- When due date of initial premium payment by the policyholder arrives, or when initial premium payment from the policyholder is received in case there is no contractual due date
- Where facts and circumstances suggest that a contract is onerous

Cash flows arising from the substantive rights and obligations that exist during the reporting period in which the Rakuten Group can force a policyholder to pay insurance premium, or during the reporting period in which the Rakuten Group is under effective obligation to provide services (including insurance coverage and investment services) are within the bounds of the insurance contract.

Cash flows within the bounds of an insurance contract are the cash flows directly associated with the performance of contract (including cash flows in which the Rakuten Group has discretion with respect to its amount or timing), including payment to or for the policyholder, insurance acquisition cash flows, and other costs incurred when insurance contract is performed.

The Rakuten Group measures the insurance contract group at its initial recognition, at the sum of (a) fulfillment cashflows (comprising estimated future cash flows (adjusted to reflect time value of money and associated financial risks) and risk adjustment for non-financial risks), and (b) contractual service margin (hereinafter the "CSM"). Fulfillment cashflows of the insurance contract group do not reflect the Rakuten Group's non-performance risk.

Risk adjustment for non-financial risks of the insurance contract group is determined independent of other estimates and is the compensation for the burden of uncertainty arising from the non-financial risks associated with the amount and timing of cash flows.

CSM of the insurance contract group represents unearned profit to be recognized as service is progressively provided by the Rakuten Group based on its contracts. If, at the initial recognition, the sum of (a) fulfillment cashflows, (b) cash flows arising on the day, and (c) the amount arising from the termination of recognition of assets or liabilities previously recognized for the cash flows concerning the insurance contract group (including the asset related to insurance acquisition cash flows in the insurance contract group) proves to be a net inflow, the insurance contract group does not represent an onerous contract. In this case, CSM is to be measured at the same amount as the aforementioned net inflow but with an opposite plus or minus sign. Thus, no gains or loss arises at the initial recognition.

Book value of the insurance contract group at each reporting date shall be the sum of the liability for remaining coverage and the liability for incurred claims.

Liability for remaining coverage comprises (i) fulfillment cash flows for the services to be provided in future based on the contract, and (ii) remaining CSM as at the reporting date.

Liability for incurred claims contains fulfillment cash flows for the incurred but unpaid claims and costs including incurred but not reported claims.

Insurance revenue and insurance service expenses excluding investment components are recognized as follows.

The Rakuten Group recognizes insurance revenue progressively as it fulfills performance obligations over time (namely as services are provided based on the insurance contract group).

Insurance revenue for the services provided in the period represents the sum of changes in the liability for remaining coverage related to services for which the Rakuten Group expects to receive compensation, comprising the following.

- Release of the CSM measured based on the unit of coverage provided.
- Changes in risk adjustment for non-financial risks associated with the current services.
- Insurance claims and other insurance service expenses incurred during the year (measured at amounts expected at the beginning of the year), which include the amount arising from the termination of asset recognition for cash flows other than insurance acquisition cash flows at the initial recognition of the insurance contract group. This amount is recognized as insurance revenue and insurance service expenses at the date on which the termination of recognition takes place.
- Other amounts including actual adjustments to the insurance premium received for current or past services provided to the insurance contract group, and the amount related to the policyholders' tax expenses incurred.

The Rakuten Group systematically allocates the portion of insurance premiums related to the collection of insurance acquisition cash flows to each period based on the passage of time. The Rakuten Group recognizes as insurance revenue, the allocated amount adjusted for interest accrued, based on the discount rate determined at initial recognition of the concerned insurance contract group, while recognizing the same amount as insurance service expenses.

The Rakuten Group has established a loss component of the liability for remaining coverage under the onerous insurance contract group. This loss component shall afterwards be presented as reversal of loss on onerous contract under net profit or loss, which shall determine the amount of fulfillment cashflows excluded from insurance revenue when it arises. Fulfillment cashflows, where it arises, shall systematically be allocated to the loss component and the liability for remaining coverage excluding the loss component.

With respect to insurance finance income or expenses, an amount is calculated by systematically allocating the total sum of expected finance income or expenses over the remaining period of the insurance contract group, which shall be included in net profit or loss, while the difference between the book value of the insurance contract group and the amount measured at the time of such systematic allocation shall be recorded under other comprehensive income.

The Rakuten Group adopts the full retrospective approach for insurance contract groups issued under the general insurance business, which are identified, recognized and measured as if IFRS 17 had been in place and applied all along.

As respects to insurance contract groups issued under 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, while, for the period up to December 31, 2020, 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 to insurance contracts was deemed impractical, as the required information was not collected (or 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 that does not use after the fact judgements or assumes management's intentions in prior fiscal years.

The purpose of adopting the modified retrospective approach is to obtain results as close as possible to results that could have been achieved by the full retrospective approach, through using reasonable and well-supported information that is available without excessive cost or effort. The Rakuten Group only modifies areas where it has no reasonable and well-supported information for retrospectively applying IFRS 17.

The Rakuten Group has made the following modifications to certain contract groups.

- For contract groups issued, commenced, or acquired in a period up to December 31, 2020, future cash flows at the time of initial recognition are estimated by modifying the cash flows that are proven to have arisen prior to the transition date.
- Risk adjustment for non-financial risks of certain contract groups at the time of initial recognition is calculated by making modifications to the amount as of the transition date, by using the expected amount of release of risks prior to the transition date. The expected amount of release of risks is calculated by reference to the release of risks for similar contracts issued by the Rakuten Group on the transition date.
- The amount of CSM recognized prior to the transition date is calculated by comparing the coverage unit at initial recognition and the remaining coverage unit as at the transition date.

In applying IFRS 17 to the interim financial statements and in the fiscal years after the initial application, the Rakuten Group has changed its treatment of accounting estimates made in past interim financial statements.

The Rakuten Group applies transitional treatment as prescribed in IFRS 17, whereby the impact of the application of IFRS 17 on each item of the financial statements as well as on earnings per share is not disclosed. The impact of the application of IFRS 17 on the Consolidated Financial Statement (Summary) as of January 1, 2022 is presented in the Consolidated Statement of Changes in Equity (Summary).

Changes in Presentation Method

(Consolidated Statement of Comprehensive Income (Summary))

In the three months ended March 31, 2023, the Rakuten Group changed presentation methods for the Consolidated Statement of Comprehensive Income (Summary) with a view to enhancing the clarity of presentation.

Description of the changes in presentation methods, and the impact on the Consolidated Statement of Comprehensive Income (Summary) as a result of the reclassification of the Consolidated Financial Statements to reflect such changes are as follows.

For the three months ended March 31, 2022 (January 1 to March 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	202	Changes in equity instruments measured at fair value through other comprehensive income	327
	Income tax effect of gains and losses on equity instruments measured at fair value through other comprehensive income	125		
	Remeasurement of defined benefit plans	24	Remeasurement of defined benefit plans	17
	Income tax effect of remeasurement of defined benefit plans	(7)		
Items that may be reclassified to net income	Gains and losses on debt instruments measured at fair value through other comprehensive income	(7,692)	Changes in debt instruments measured at fair value through other comprehensive income	(5,493)
	Allowances for doubtful debts on debt instruments measured at fair value through other comprehensive income	1		
	Losses on debt instruments measured at fair value through other comprehensive income as reclassified from other comprehensive income to net income	(19)		
	Income tax effect of gains or losses on debt instruments measured at fair value through other comprehensive income	2,217		
	Gains on cash flow hedges recognized in other comprehensive income	3,992	Cash flow hedges	(1,273)
	Income tax effect of gains or losses on cash flow hedges recognized in other comprehensive income	(1,179)		
	Losses on cash flow hedges reclassified from other comprehensive income to net income	(5,785)		
	Income tax effect of gains or losses on cash flow hedges reclassified from other comprehensive income to net income	1,699		

(Consolidated Statement of Changes in Equity (Summary))

In the three months ended March 31, 2023, the Rakuten Group changed presentation methods for the Consolidated Statement of Changes in Equity (Summary) with a view to enhancing the clarity of presentation.

Itemized presentation of components of “Other components of equity” is omitted and presented instead as “Accumulated other comprehensive income on 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 new shares as a result of exercise of stock options” and “Disposal of treasury shares as a result of exercise of stock 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”.

“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 these changes in presentation methods, the Consolidated Financial Statements for the three months ended March 31, 2022 have been reclassified. Impacts of these changes on the Consolidated Statement of Changes in Equity (Summary) for the three months ended March 31, 2022 are as follows.

For the three months ended March 31, 2022 (January 1 to March 31, 2022)

(Millions of Yen)

Items before the changes	Amount	Items after the changes	Amount
Increase in common stock due to “Issuance of new shares as a result of exercise of stock options”	933	Increase in common stock due to “Exercise of share acquisition rights”	933
Decrease in capital surplus due to “Issuance of new shares as a result of exercise of stock options”	(933)	Decrease in capital surplus due to “Exercise of share acquisition rights”	(933)
Increase in capital surplus due to “Issuance of shares acquisition rights”	3,458	Increase in capital surplus due to “Share based compensation expenses”	3,372
Decrease in capital surplus due to “Forfeiture of share acquisition rights”	(86)		
Increase in retained earnings due to “Forfeiture of share acquisition rights”	86	Increase in retained earnings due to “Share based compensation expenses”	86
Decrease in retained earnings due to “Others” under “Contributions by and distributions to owners”	(236)	Decrease in retained earnings due to “Others” under “Transactions with owners, etc.”	(236)
Increase in non-controlling interests due to “Others” under “Changes in ownership interests in subsidiaries”	320	Increase in non-controlling interests due to “Others” under “Transactions with owners, etc.”	320

Changes in the Presentation Method

(Consolidated Statement of Cash Flows)

For the three months ended March 31, 2022, "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", under "Cash flows from financing activities" are independently disclosed from the second quarter ended June 30, 2022, respectively, to enhance clarity of presentation. In addition, for the three months ended March 31, 2022, "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 credit card business", which was 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" are independently disclosed from 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 three months ended March 31, 2022 have been reclassified.

As a result, ¥96,800 million presented as "Net increase (decrease) in short-term borrowings" in the Consolidated Statement of Cash Flows for the three months ended March 31, 2022 has been reclassified as "Net increase (decrease) in short-term borrowings for credit card business" of ¥(11,700) million, "Net increase (decrease) in short-term borrowings for banking business" of ¥156,500 million, and "Net increase (decrease) in short-term borrowings for securities business" of ¥(48,000) million. ¥464,577 million presented as "Proceeds from long-term borrowings" has been reclassified as "Proceeds from long-term borrowings" of ¥41,400 million, "Proceeds from long-term borrowings for credit card business" of ¥73,977 million, and "Proceeds from long-term borrowings for banking business" of ¥349,200 million. ¥(61,825) million presented as "Repayments of long-term borrowings" has been reclassified as "Repayments of long-term borrowings" of ¥(22,553) million and "Repayments of long-term borrowings for credit card business" of ¥(39,272) million.

"Interest paid" included in "Others" under "Cash flows from financing activities" in the three months ended March 31, 2022, is separately presented from the three months ended March 31, 2023 due to an increase in its financial materiality. In order to reflect these changes in presentation methods, the Consolidated Statement of Cash Flows (Summary) for the three months ended March 31, 2022 have been reclassified.

As a result, ¥(2,173) million presented under "Others" of "Cash flows from financing activities" in the Consolidated Statement of Cash Flows for the three months ended March 31, 2022, have been reclassified into "Interest paid" of ¥(2,775) million and "Others" of ¥602 million.

(Significant Accounting Estimates and Judgments)

Preparation of the summary of consolidated financial statements under IFRS for the three months ended March 31, 2023 involves accounting estimates in respect of certain significant matters. In the process of adopting accounting policies, management of the Rakuten Group is required to make its own judgments. Resulting accounting estimates by their nature may be different from the actual outcome.

Accounting estimates and accounting assumptions are subject to continuous review. If the accounting estimates are updated, the effect of changes are recognized in the reporting period as well as future accounting periods.

Estimates and judgments that have a significant impact on the amounts in the consolidated financial statements for the three months ended March 31, 2023 remain the same as those for the previous fiscal year.

(Segment Information)

i. 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 first quarter 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 these changes, segment revenue and segment profit (loss) in the Internet Services segment and the Mobile segment for the first quarter ended March 31, 2022 have been restated.

As described in (Material Accounting Policies), the Rakuten Group has applied IFRS 17 from the beginning of the first quarter ended March 31, 2023, and reflected the cumulative effect of this accounting standard change on the date of initial application of January 1, 2022. As a result, figures in the FinTech segment for the first quarter ended March 31, 2022 have been restated.

ii. Measurement of Segment Revenue and Segment Profit (Loss) by Operating Segments

Operating segment information is reported in accordance with IFRS. Operating segment revenue and profit or loss amounts are those before intersegment eliminations, without consideration of consolidation adjustments, except for certain subsidiaries. The internal measures management relies upon in making decisions are Non-GAAP operating income, which 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 its business results with those of prior fiscal years by stakeholders, and can provide useful information in understanding the underlying business results of the Rakuten Group and its future outlook. Unusual items refer to one-off items that the Rakuten Group believes shall be excluded for the purposes of preparing a future outlook based on certain rules. Other adjustment items are those that tend to differ depending on the standards applied, and are therefore less comparable between companies, such as share based compensation expenses and amortization of acquisition-related intangible assets.

The Rakuten Group does not allocate assets and liabilities to operating segment information used by the chief operating decision maker.

iii. 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 profit in the Internet Services segment decreased by ¥985 million for the three months ended March 31, 2022, compared to those before the retrospective application. This change has no impact on consolidated revenue, Non-GAAP operating loss, or operating loss amounts.

Three months ended March 31, 2022 (January 1 to March 31, 2022)

(Millions of Yen)

	Internet Services	FinTech	Mobile	Total
Segment revenue	249,518	156,152	76,618	482,288
Segment profit (loss)	14,291	22,129	(132,320)	(95,900)

Three months ended March 31, 2023 (January 1 to March 31, 2023)

(Millions of Yen)

	Internet Services	FinTech	Mobile	Total
Segment revenue	271,138	168,025	96,333	535,496
Segment profit (loss)	11,851	26,640	(102,662)	(64,171)

Note: Effective from the first quarter 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 these changes, segment revenue increased by ¥3,735 million and segment profit decreased ¥2,726 million in the Internet Services segment, and segment revenue and segment loss in the Mobile segment decreased by the same amount for the three months ended March 31, 2022.

Reconciliation from Segment Revenue to Consolidated Revenue

(Millions of Yen)

	Three months ended March 31, 2022 (January 1 to March 31, 2022)	Three months ended March 31, 2023 (January 1 to March 31, 2023)
Segment revenue	482,288	535,496
Intercompany transactions, etc.	(47,268)	(59,861)
Consolidated revenue	435,020	475,635

Reconciliation from Segment Loss to Loss before Income Tax

(Millions of Yen)

	Three months ended March 31, 2022 (January 1 to March 31, 2022)	Three months ended March 31, 2023 (January 1 to March 31, 2023)
Segment loss	(95,900)	(64,171)
Intercompany transactions, etc.	(3,239)	(4,797)
Non-GAAP operating loss	(99,139)	(68,968)
Amortization of intangible assets	(1,972)	(2,099)
Share based compensation expenses	(3,459)	(4,115)
One-off items (Note)	(8,614)	(1,012)
Operating loss	(113,184)	(76,194)
Financial income and expenses	(5,458)	(2,576)
Share of losses of investments in associates and joint ventures	(619)	(633)
Loss before income tax	(119,261)	(79,403)

Note: One-off items of ¥8,614 million listed for the three months ended March 31, 2022 were expenses associated with an increase in provision for customer points as a result of revisions in the Rakuten Point Terms of Use. One-off items listed for the three months ended March 31, 2023 include 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.

(Breakdown of Operating Expenses)

(Millions of Yen)

	Three months ended March 31, 2022 (January 1 to March 31, 2022)	Three months ended March 31, 2023 (January 1 to March 31, 2023)
Advertising and promotion expenditures	91,130	87,791
Employee benefits expenses	75,819	89,514
Depreciation and amortization	61,733	75,977
Communication and maintenance expenses	17,431	15,948
Consignment and subcontract expenses	42,453	35,367
Allowance for doubtful accounts charged to expenses	7,718	6,807
Cost of sales of merchandise and services rendered	174,043	169,031
Interest expense for finance business	3,497	4,503
Commission fee expense for finance business	5,397	6,284
Cost of sales for insurance business	10,682	9,149
Others	49,840	50,067
Total	539,743	550,438

(Other Income and Other Expenses)

(1) Breakdown of Other Income

(Millions of Yen)

	Three months ended March 31, 2022 (January 1 to March 31, 2022)	Three months ended March 31, 2023 (January 1 to March 31, 2023)
Gains on valuation of investment securities	—	2,608
Others	1,296	2,368
Total	1,296	4,976

(2) Breakdown of Other Expenses

(Millions of Yen)

	Three months ended March 31, 2022 (January 1 to March 31, 2022)	Three months ended March 31, 2023 (January 1 to March 31, 2023)
Foreign exchange losses	2,581	1,794
Losses on disposal of property, plant and equipment and intangible assets	—	791
Impairment losses	3,604	1,715
Others	3,572	2,067
Total	9,757	6,367

(Financial Income and Financial Expenses)

(1) Breakdown of Financial Income

(Millions of Yen)

	Three months ended March 31, 2022 (January 1 to March 31, 2022)	Three months ended March 31, 2023 (January 1 to March 31, 2023)
Gains on valuation of derivatives (Note)	15,653	15,311
Gains on valuation of investment securities	6	1,013
Others	237	1,133
Total	15,896	17,457

Note: Gains on valuation of derivatives from the collar contract for the prepaid variable share forward transactions of shares of Lyft, Inc. of ¥9,656 million and gains on valuation of derivatives from currency swaps related to foreign currency denominated permanent subordinated bonds of ¥5,997 million were recorded during the three months ended March 31, 2022. Gains on valuation of derivatives from the collar contract for the prepaid variable share forward transactions of shares of Lyft, Inc. of ¥9,401 million and gains on valuation of derivatives from currency swaps related to foreign currency denominated permanent subordinated bonds of ¥5,910 million were recorded during the three months ended March 31, 2023.

(2) Breakdown of Financial Expenses

(Millions of Yen)

	Three months ended March 31, 2022 (January 1 to March 31, 2022)	Three months ended March 31, 2023 (January 1 to March 31, 2023)
Interest expenses (Note 1)	6,269	11,263
Losses on valuation of investment securities (Note 2)	8,044	6,651
Foreign exchange losses (Note 3)	6,931	1,890
Others	110	229
Total	21,354	20,033

Note 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 ¥209 million and of ¥237 million were recorded during the three months ended March 31, 2022 and the three months ended March 31, 2023, respectively.

Note 2: Losses on valuation of investment securities for an investment in Lyft, Inc. of ¥7,985 million and ¥6,701 million were recorded during the three months ended March 31, 2022 and the three months ended March 31, 2023, respectively.

Note 3: Foreign exchange losses of ¥6,931 million and ¥1,890 million arising from liabilities relating to funds raised from prepaid variables share forward transactions of shares of Lyft, Inc. were recorded for the three months ended March 31, 2022 and the three months ended March 31, 2023, respectively.

(Notes on Significant Subsequent Events)

1. 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 were 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 over-allotment (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 over-allotment ¥6,248,200,000
④ Delivery Date	Offering by the underwriters in consideration; April 21, 2023

Notes 1: Offering through over-allotment relates to the domestic offering and the domestic underwriting which Daiwa Securities Co., Ltd. further offered in Japan after consideration of demand.

Notes 2: With regards to the offering through over-allotment, 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.

2. 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 acquirer SY 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)

The above selling price is an estimate as the contingent consideration mentioned in (7) is not included.

(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.