

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 six months ended June 30, 2023

Rakuten Group, Inc.
August 10, 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 six months ended June 30, 2023 (January 1 – June 30, 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	%
Six months ended June 30, 2023	972,800	9.5	(125,087)	—	(122,625)	—	(136,971)	—
Six months ended June 30, 2022	888,249	—	(198,730)	—	(216,141)	—	(179,438)	—

	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
Six months ended June 30, 2023	(139,985)	—	(45,468)	—	(83.04)	(83.05)
Six months ended June 30, 2022	(177,892)	—	(65,095)	—	(112.28)	(112.28)

Note: The Rakuten Group has adopted IFRS 17 "Insurance Contracts" (hereinafter "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 for the six months ended June 30, 2022 reflect the retrospective application of IFRS 17. As such, the ratios of year-on-year change for the six months ended June 30, 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 June 30, 2023	21,648,023	1,172,294	1,018,134	4.7
As of December 31, 2022	20,402,281	848,711	791,351	3.9

Note: 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 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	—	0.00	—	—	—
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 18, "2. Consolidated Financial Statements (Summary) and Notes, (7) Notes to the Consolidated Financial Statements (Summary)".

(3) Number of Shares Issued (Common Stock)

1. Total number of shares issued at the end of the period (including treasury stocks)
2,138,419,700 shares (As of June 30, 2023)
1,590,463,000 shares (As of December 31, 2022)
2. Number of treasury stocks at the end of the period
272 shares (As of June 30, 2023)
244 shares (As of December 31, 2022)
3. Average number of shares during the period (cumulative from the beginning of the year)
1,685,801,517 shares (January 1 – June 30, 2023)
1,584,396,767 shares (January 1 – June 30, 2022)

These financial reports are 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 adopted IFRS 17 “Insurance Contracts” from the beginning of the three months ended March 31, 2023. As a result, figures for the FinTech segment for the six months ended June 30, 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 transition. For further details, please refer to “2. Consolidated Financial Statements (Summary) and Notes, (7) Notes to the Consolidated Financial Statements (Summary) (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 six months ended June 30, 2023 (Non-GAAP basis)

The world economy picked up during the six months ended June 30, 2023 despite weakness seen in some regions. Looking ahead, 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. The Japanese economy is recovering moderately, and going forward, it is expected that the moderate recovery will continue.

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

Under such an environment, the Rakuten Group is proactively developing and promoting the use of services that leverage advanced technologies such as AI and data both online and offline based on membership and a common loyalty point program. Rakuten Mobile was the first company in the world to introduce Open RAN that enables multi-vendor wireless access networks, including cell phone base stations, as well as vRAN, a virtualization technology, across its entire commercial network. In addition, Rakuten Symphony is proposing the 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 continued growth in transaction value in domestic e-commerce services. In the FinTech segment, the customer base for each service has continued to expand, and the Rakuten Group achieved increases in revenue and profit in credit card related services, banking services, securities services, among others. In the Mobile segment, revenue increased year-on-year due to an increase in telecommunication fee revenues and other factors, and the segment loss steadily decreased accordingly.

As a result, the Rakuten Group recorded revenue of ¥972,800 million, up 9.5% year-on-year for the six months ended June 30, 2023. In the Mobile segment, segment loss peaked in the three months ended March 31, 2022 and has contracted thereafter. It recorded a Non-GAAP operating loss of ¥108,410 million, compared to a Non-GAAP operating loss of ¥179,540 million in the six months ended June 30, 2022.

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

(Non-GAAP)

	Six months ended June 30, 2022	Six months ended June 30, 2023	Amount Change YoY	% Change YoY
Revenue	888,249	972,800	84,551	9.5%
Non-GAAP operating loss	(179,540)	(108,410)	71,130	—%

(Millions of Yen)

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

For the six months ended June 30, 2023, amortization of intangible assets of ¥4,259 million and share based compensation expenses of ¥7,997 million were excluded from Non-GAAP operating income. One-off items of ¥8,614 million listed for the six months ended June 30, 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 six months ended June 30, 2023 include costs temporarily incurred due to the cancellation of base station construction etc. of ¥1,977 million, associated with changes to capital expenditure plans resulting from a review of roaming agreements in the mobile business, gains and losses resulting from the sale of all shares in Seiyu Holdings Co., Ltd., and fees paid to external experts and others such as legal fees related to fraudulent acts committed in collusion by former employees of a subsidiary and suppliers which came to light in the previous year.

(Millions of Yen)

	Six months ended June 30, 2022	Six months ended June 30, 2023	Amount Change YoY
Non-GAAP operating loss	(179,540)	(108,410)	71,130
Amortization of intangible assets (PPA)	(4,171)	(4,259)	(88)
Share based compensation expenses	(6,405)	(7,997)	(1,592)
One-off items	(8,614)	(4,421)	4,193
IFRS operating loss	(198,730)	(125,087)	73,643

iii) Business Results for the six months ended June 30, 2023 (IFRS basis)

For the six months ended June 30, 2023, the Rakuten Group recorded revenue of ¥972,800 million, up 9.5% year-on-year, IFRS operating loss of ¥125,087 million, compared with IFRS operating loss of ¥198,730 million in the six months ended June 30, 2022, and net loss attributable to owners of the Company of ¥139,985 million, compared with net loss of ¥177,892 million in the six months ended June 30, 2022.

(IFRS)

	Six months ended June 30, 2022	Six months ended June 30, 2023	Amount Change YoY	% Change YoY
Revenue	888,249	972,800	84,551	9.5%
IFRS operating loss	(198,730)	(125,087)	73,643	—%
Net loss attributable to owners of the Company	(177,892)	(139,985)	37,907	—%

(Millions of Yen)

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.

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 increased by ¥7,580 million and segment profit decreased by ¥5,475 million in the Internet Services segment, and segment revenue and segment loss in the Mobile segment decreased by the same amount for the six months ended June 30, 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 and promotion of cross-use of services. 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 growth in transaction value compared to the six months ended June 30, 2022, thanks to the success of sales promotion measures and other measures in line with the recovery in demand for domestic travel, also 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”. However, 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 ¥565,824 million, a 10.2% year-on-year increase, while segment profit stood at ¥26,326 million, a 20.4% year-on-year decrease.

(Millions of Yen)

	Six months ended June 30, 2022	Six months ended June 30, 2023	Amount Change YoY	% Change YoY
Segment revenue	513,279	565,824	52,545	10.2%
Segment profit	33,080	26,326	(6,754)	(20.4)%

FinTech

In credit card related services, the cumulative total number of Rakuten cards issued surpassed 29 million in May 2023. A recovery in offline consumption was seen primarily against a backdrop of the lifting of the COVID-19 semi-emergency status in March 2022. There was continuing demand for online consumption, which has rooted with stay-at-home consumption amid the COVID-19 pandemic, and shopping transaction value also grew. 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 customer base has continued to expand thereafter. In securities services, the total number of general securities accounts reached 9 million in April 2023, and further progress was made in increasing customer retention.

As a result, the FinTech segment recorded ¥349,027 million in revenue, a 10.5% year-on-year increase, while segment profit stood at ¥59,640 million, a 26.1% year-on-year increase.

(Millions of Yen)

	Six months ended June 30, 2022	Six months ended June 30, 2023	Amount Change YoY	% Change YoY
Segment revenue	315,906	349,027	33,121	10.5%
Segment profit	47,284	59,640	12,356	26.1%

Mobile

In mobile services, telecommunication fees continued to increase, contributing to a growth in revenue. After the launch of the SAIKYO Plan in June 2023, data usage is steadily trending upwards, and it is expected to contribute to a further rise in ARPU and an increase in revenue. At the same time, we progressively worked to reduce costs, primarily network-related costs, and used the new roaming contracts as an opportunity to control capital expenditures at a level far below our previous plan.

As a result, the Mobile segment recorded ¥176,404 million in revenue, a 12.1% year-on-year increase. Although a segment loss of ¥185,093 million (compared to losses of ¥253,853 million in the six months ended June 30, 2022) was recorded, the loss has contracted since its peak in the three months ended March 31, 2022.

(Millions of Yen)

	Six months ended June 30, 2022	Six months ended June 30, 2023	Amount Change YoY	% Change YoY
Segment revenue	157,403	176,404	19,001	12.1%
Segment loss	(253,853)	(185,093)	68,760	—%

(2) Analysis Concerning Financial Position

i) Assets, Liabilities, and Equity

Assets

Total assets as of June 30, 2023 amounted to ¥21,648,023 million, an increase of ¥1,245,742 million from ¥20,402,281 million at the end of the previous fiscal year. The primary factors were an increase of ¥555,158 million in financial assets for securities business, an increase of ¥311,149 million in cash and cash equivalents and an increase of ¥307,966 million in loans for banking business.

Liabilities

Total liabilities as of June 30, 2023 amounted to ¥20,475,729 million, an increase of ¥922,159 million from ¥19,553,570 million at the end of the previous fiscal year. The primary factors include a decrease of ¥144,364 million in bonds and borrowings for credit card business and a decrease of ¥130,431 million in other financial liabilities, offset by an increase of ¥632,092 million in financial liabilities for securities business and an increase of ¥557,674 million in deposits for banking business.

Equity

Total equity as of June 30, 2023 was ¥1,172,294 million, an increase of ¥323,583 million from ¥848,711 million at the end of the previous fiscal year. The primary factors include a decrease of ¥158,634 million in retained earnings due mainly to the recording of ¥139,985 million in net loss attributable to owners of the Company during the six months ended June 30, 2023, offset by increases of ¥150,884 million in common stock, ¥143,005 million in capital surplus due to the issuance of new shares through public offering and third-party allotment etc. and an increase of ¥96,800 million in non-controlling interests due to stock listing of Rakuten Bank, Ltd etc.

ii) Cash Flows

Cash and cash equivalents as of June 30, 2023 stood at ¥5,005,509 million, an increase of ¥311,149 million from the end of the previous fiscal year. Cash flow conditions and their main factors for the six months ended June 30, 2023 are as follows.

Cash Flows from Operating Activities

Net cash flows from operating activities for the six months ended June 30, 2023 resulted in a cash inflow of ¥239,777 million (compared with a cash outflow of ¥233,098 million for the same period of the previous fiscal year). Main factors included a cash outflow of ¥306,965 million due to an increase in loans for banking business, offset by a cash inflow of ¥550,191 million due to an increase in deposits for banking business.

Cash Flows from Investing Activities

Cash flows from investing activities for the six months ended June 30, 2023 resulted in a cash outflow of ¥203,539 million (compared with a cash outflow of ¥643,493 million for the same period of the previous fiscal year). Main factors included a net cash outflow of ¥54,512 million due to purchases and sales, etc. of investment securities for banking business (a cash outflow of ¥266,194 million due to purchases and a cash inflow of ¥211,682 million from sales and redemption) and a cash outflow of ¥115,166 million due to purchases of property, plant and equipment.

Cash Flows from Financing Activities

Cash flows from financing activities for the six months ended June 30, 2023 resulted in a cash inflow of ¥257,982 million (compared with a cash inflow of ¥845,413 million for the same period of the previous fiscal year). Main factors included a cash outflow of ¥132,400 million in net decrease in commercial papers, a cash outflow of ¥123,500 million in net decrease in short-term borrowings, a cash outflow ¥112,700 million in net decrease in commercial papers for credit card business, offset by a cash inflow of ¥305,046 million due to proceeds from issuance of bonds and a cash inflow of ¥294,244 million due to proceeds from issuance of shares.

(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 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 Rakuten Rewards and other overseas Internet services, we will boost cross-business synergies and pursue our overseas strategies while working to achieve even greater cross-business management efficiency across national borders.

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, we aim to accelerate subscriber acquisition through competitive rate plans, one of our strengths, and measures such as attractive marketing using the Rakuten Ecosystem, in addition to improved customer experience from the new roaming contracts. 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 to achieve monthly EBITDA profitability as soon as possible, followed by profitability on an annual operating income basis. 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 June 30, 2023
Assets		
Cash and cash equivalents	4,694,360	5,005,509
Accounts receivable – trade	364,186	311,874
Financial assets for securities business	3,430,776	3,985,934
Loans for credit card business	2,776,044	2,689,082
Investment securities for banking business	916,651	993,684
Loans for banking business	3,507,559	3,815,525
Investment securities for insurance business	269,867	249,101
Derivative assets	181,106	246,498
Investment securities	161,071	167,205
Other financial assets	1,190,531	1,163,452
Investments in associates and joint ventures	77,541	45,505
Property, plant and equipment	1,262,115	1,280,857
Intangible assets	954,698	1,025,870
Deferred tax assets	290,013	301,396
Other assets	325,763	366,531
Total assets	20,402,281	21,648,023
Liabilities		
Accounts payable – trade	450,562	343,010
Deposits for banking business	8,419,097	8,976,771
Financial liabilities for securities business	3,494,467	4,126,559
Derivative liabilities	35,727	30,503
Bonds and borrowings	1,760,781	1,778,209
Borrowings for securities business	157,542	139,560
Bonds and borrowings for credit card business	812,738	668,374
Borrowings for banking business	2,181,689	2,288,639
Other financial liabilities	1,626,499	1,496,068
Income tax payable	18,139	18,001
Provisions	242,909	245,800
Insurance contract liabilities	189,376	175,913
Employee retirement benefit liabilities	34,743	38,327
Deferred tax liabilities	4,129	4,356
Other liabilities	125,172	145,639
Total liabilities	19,553,570	20,475,729
Equity		
Equity attributable to owners of the Company		
Common stock	294,061	444,945
Capital surplus	353,786	496,791
Other equity instruments	317,316	317,316
Retained earnings	(280,085)	(438,719)
Treasury stock	(0)	(0)
Other components of equity	106,273	197,801
Total equity attributable to owners of the Company	791,351	1,018,134
Non-controlling interests	57,360	154,160
Total equity	848,711	1,172,294
Total liabilities and equity	20,402,281	21,648,023

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

Consolidated Statement of Income (Summary)

(For the six months ended June 30, 2022 and 2023)

(Millions of Yen)

	Six months ended June 30, 2022 (January 1 to June 30, 2022)	Six months ended June 30, 2023 (January 1 to June 30, 2023)
Continuing Operations		
Revenue	888,249	972,800
Operating expenses	1,075,187	1,095,689
Other income	5,918	12,498
Other expenses	17,710	14,696
Operating loss	(198,730)	(125,087)
Financial income	119,885	52,135
Financial expenses	134,527	40,877
Share of losses of investments in associates and joint ventures	(2,769)	(8,796)
Loss before income tax	(216,141)	(122,625)
Income tax expenses (benefit)	(36,703)	14,346
Net loss	(179,438)	(136,971)
Net loss attributable to:		
Owners of the Company	(177,892)	(139,985)
Non-controlling interests	(1,546)	3,014
Net loss	(179,438)	(136,971)
(Yen)		
Losses per share attributable to owners of the Company		
Basic	(112.28)	(83.04)
Diluted	(112.28)	(83.05)

Consolidated Statement of Income (Summary)
(For the three months ended June 30, 2022 and 2023)

(Millions of Yen)

	Three months ended June 30, 2022 (April 1 to June 30, 2022)	Three months ended June 30, 2023 (April 1 to June 30, 2023)
Continuing Operations		
Revenue	453,229	497,165
Operating expenses	535,444	545,251
Other income	4,622	7,522
Other expenses	7,953	8,329
Operating loss	(85,546)	(48,893)
Financial income	103,995	40,467
Financial expenses	113,179	26,633
Share of losses of investments in associates and joint ventures	(2,150)	(8,163)
Loss before income tax	(96,880)	(43,222)
Income tax expenses (benefit)	(9,967)	11,129
Net loss	(86,913)	(54,351)
Net loss attributable to:		
Owners of the Company	(86,050)	(57,418)
Non-controlling interests	(863)	3,067
Net loss	(86,913)	(54,351)
(Yen)		
Losses per share attributable to owners of the Company		
Basic	(54.25)	(32.27)
Diluted	(54.25)	(32.29)

Consolidated Statement of Comprehensive Income (Summary)

(For the six months ended June 30, 2022 and 2023)

(Millions of Yen)

	Six months ended June 30, 2022 (January 1 to June 30, 2022)	Six months ended June 30, 2023 (January 1 to June 30, 2023)
Net loss	(179,438)	(136,971)
Other comprehensive income		
Items that will not be reclassified to net income		
Changes in equity instruments measured at fair value through other comprehensive income	(1,460)	2,406
Remeasurement of defined benefit plans	15	(210)
Other comprehensive income of investment in associates and joint ventures	(29)	11
Total items that will not be reclassified to net income	(1,474)	2,207
Items that may be reclassified to net income		
Foreign currency translation adjustments	119,372	81,314
Changes in debt instruments measured at fair value through other comprehensive income	(8,387)	7,715
Cash flow hedges	(2,335)	(1,124)
Changes in the difference between discount rate change on insurance contracts	800	(1,985)
Changes in the difference between discount rate change on reinsurance contracts	187	343
Other comprehensive income of investments in associates and joint ventures	6,180	3,033
Total items that may be reclassified to net income	115,817	89,296
Total other comprehensive income, net of tax	114,343	91,503
Comprehensive income	(65,095)	(45,468)
Comprehensive income attributable to:		
Owners of the Company	(65,373)	(51,232)
Non-controlling interests	278	5,764
Comprehensive income	(65,095)	(45,468)

Consolidated Statement of Comprehensive Income (Summary)

(For the three months ended June 30, 2022 and 2023)

(Millions of Yen)

	Three months ended June 30, 2022 (April 1 to June 30, 2022)	Three months ended June 30, 2023 (April 1 to June 30, 2023)
Net loss	(86,913)	(54,351)
Other comprehensive income		
Items that will not be reclassified to net income		
Changes in equity instruments measured at fair value through other comprehensive income	(1,787)	2,014
Remeasurement of defined benefit plans	(2)	(220)
Other comprehensive income of investment in associates and joint ventures	1	7
Total items that will not be reclassified to net income	(1,788)	1,801
Items that may be reclassified to net income		
Foreign currency translation adjustments	82,949	69,615
Changes in debt instruments measured at fair value through other comprehensive income	(2,894)	2,163
Cash flow hedges	(1,062)	(1,023)
Changes in the difference between discount rate change on insurance contracts	377	117
Changes in the difference between discount rate change on reinsurance contracts	(40)	(47)
Other comprehensive income of investments in associates and joint ventures	4,194	2,491
Total items that may be reclassified to net income	83,524	73,316
Total other comprehensive income, net of tax	81,736	75,117
Comprehensive income	(5,177)	20,766
Comprehensive income attributable to:		
Owners of the Company	(5,743)	15,368
Non-controlling interests	566	5,398
Comprehensive income	(5,177)	20,766

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

(For the six months ended June 30, 2022)

(Millions of Yen)

	Equity attributable to Owners of the Company							Non-controlling Interests	Total Equity
	Common Stock	Capital Surplus	Other Equity Instruments	Retained Earnings	Treasury Stock	Other Components of Equity	Total Equity attributable to Owners of the Company		
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	—	—	—	(177,892)	—	—	(177,892)	(1,546)	(179,438)
Other comprehensive income, net of tax	—	—	—	—	—	112,519	112,519	1,824	114,343
Total comprehensive income	—	—	—	(177,892)	—	112,519	(65,373)	278	(65,095)
Transactions with owners etc.									
Issuance of shares	—	—	—	—	—	—	—	—	—
Cash dividends paid	—	—	—	(7,118)	—	—	(7,118)	—	(7,118)
Distributions to owners of other equity instruments	—	—	—	(9,074)	—	—	(9,074)	—	(9,074)
Reclassified from other components of equity to retained earnings	—	—	—	(685)	—	685	—	—	—
Acquisition of treasury stock	—	—	—	—	(0)	—	(0)	—	(0)
Exercise of share acquisition rights	2,941	(2,941)	—	—	—	—	0	—	0
Share based compensation expenses	—	6,593	—	121	—	—	6,714	—	6,714
Equity transactions with non-controlling interests	—	—	—	—	—	—	—	3,361	3,361
Others	—	(0)	—	(520)	—	—	(520)	(132)	(652)
Total transactions with owners etc.	2,941	3,652	—	(17,276)	(0)	685	(9,998)	3,229	(6,769)
As of June 30, 2022	292,615	315,622	317,316	(74,287)	(0)	151,013	1,002,279	27,078	1,029,357

(For the six months ended June 30, 2023)

(Millions of Yen)

	Equity attributable to Owners of the Company							Non-controlling Interests	Total Equity
	Common Stock	Capital Surplus	Other Equity Instruments	Retained Earnings	Treasury Stock	Other Components of Equity	Total Equity attributable to Owners of the Company		
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	—	—	—	(139,985)	—	—	(139,985)	3,014	(136,971)
Other comprehensive income, net of tax	—	—	—	—	—	88,753	88,753	2,750	91,503
Total comprehensive income	—	—	—	(139,985)	—	88,753	(51,232)	5,764	(45,468)
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	—	—	—	(1,488)	—	1,488	—	—	—
Acquisition of treasury stock	—	—	—	—	(0)	—	(0)	—	(0)
Exercise of share acquisition rights	2,879	(2,879)	—	—	—	—	0	—	0
Share based compensation expenses	—	7,785	—	173	—	—	7,958	—	7,958
Equity transactions with non-controlling interests	—	(8,681)	—	—	—	1,287	(7,394)	92,169	84,775
Others	—	—	—	(357)	—	—	(357)	(1,133)	(1,490)
Total transactions with owners etc.	150,884	143,005	—	(18,649)	(0)	2,775	278,015	91,036	369,051
As of June 30, 2023	444,945	496,791	317,316	(438,719)	(0)	197,801	1,018,134	154,160	1,172,294

(4) Consolidated Statement of Cash Flows (Summary)

(Millions of Yen)

	Six months ended June 30, 2022 (January 1 to June 30, 2022)	Six months ended June 30, 2023 (January 1 to June 30, 2023)
Cash flows from operating activities		
Loss before income tax	(216,141)	(122,625)
Depreciation and amortization	121,620	146,522
Other loss (income)	110,992	26,045
Decrease (Increase) in operating receivables	57,252	69,433
Decrease (Increase) in loans for credit card business	18,522	87,730
Increase (Decrease) in deposits for banking business	851,491	550,191
Net decrease (increase) in call loans for banking business	(19,995)	6,216
Decrease (Increase) in loans for banking business	(621,131)	(306,965)
Decrease (Increase) in receivables under securities borrowing transactions	(289,651)	(16,029)
Increase (Decrease) in operating payables	(53,507)	(123,614)
Decrease (Increase) in financial assets for securities business	(152,011)	(554,719)
Increase (Decrease) in financial liabilities for securities business	238,839	632,134
Increase and decrease in derivative assets and liabilities	(116,671)	(50,008)
Others	(151,293)	(90,906)
Income tax paid	(11,414)	(13,628)
Net cash flows from operating activities	(233,098)	239,777
Cash flows from investing activities		
Payments in time deposits	(8,180)	(14,774)
Proceeds from time deposits	6,094	12,817
Purchases of property, plant and equipment	(164,816)	(115,166)
Purchases of intangible assets	(71,599)	(82,126)
Acquisitions of subsidiaries	(24,279)	(542)
Acquisitions of investments in associates and joint ventures	(1,792)	(199)
Proceeds from sales of investments in associates and joint ventures	—	22,000
Purchases of investment securities for banking business	(971,210)	(266,194)
Proceeds from sales and redemption of investment securities for banking business	604,842	211,682
Purchases of investment securities for insurance business	(36,859)	(24,248)
Proceeds from sales and redemption of investment securities for insurance business	35,896	46,512
Purchases of investment securities	(5,268)	(4,356)
Proceeds from sales and redemption of investment securities	2,868	9,882
Other payments	(14,648)	(7,194)
Other proceeds	5,458	8,367
Net cash flows from investing activities	(643,493)	(203,539)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	—	(123,500)
Net increase (decrease) in commercial papers	82,000	(132,400)
Proceeds from long-term borrowings	71,400	21,160
Repayments of long-term borrowings	(46,622)	(63,949)
Proceeds from issuance of bonds	148,868	305,046
Redemption of bonds	(40,000)	(10,000)
Net increase (decrease) in short-term borrowings for securities business	(33,000)	(18,000)
Net increase (decrease) in short-term borrowings for credit card business	3,540	(17,355)
Net increase (decrease) in commercial papers for credit card business	7,500	(112,700)
Proceeds from long-term borrowings for credit card business	107,760	65,012
Repayments of long-term borrowings for credit card business	(79,018)	(80,184)
Net increase (decrease) in short-term borrowings for banking business	(288,200)	6,305
Proceeds from long-term borrowings for banking business	982,400	735,000

(4) Consolidated Statement of Cash Flows (Summary) (Continued)

(Millions of Yen)

	Six months ended June 30, 2022 (January 1 to June 30, 2022)	Six months ended June 30, 2023 (January 1 to June 30, 2023)
Repayments of long-term borrowings for banking business	(27,200)	(635,000)
Proceeds from issuance of shares	0	294,244
Distributions to owners of other equity instruments	(10,078)	(10,110)
Proceeds from sales of shares of subsidiaries not resulting in change in scope of consolidation	—	71,755
Capital contribution from non-controlling interests	3,361	13,325
Repayments of lease liabilities	(27,239)	(33,282)
Interest paid	(10,622)	(16,913)
Cash dividends paid	(7,118)	(7,157)
Others	7,681	6,685
Net cash flows from financing activities	845,413	257,982
Effect of change in exchange rates on cash and cash equivalents	17,454	16,929
Net increase (decrease) in cash and cash equivalents	(13,724)	311,149
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	4,396,577	5,005,509

**(5) Assumptions for Going Concern for the six months ended June 30, 2023
(January 1 to June 30, 2023)**

No items to report.

(6) Material Changes in Shareholders' Equity

For the six months ended June 30, 2023 (January 1 to June 30, 2023)

(i) Stock listing of Rakuten Bank, Ltd.

Rakuten Bank, Ltd., a subsidiary of the Company, was listed on the Tokyo Stock Exchange Prime Market on April 21, 2023. At the time of listing, Rakuten Bank, Ltd. issued new shares through a public offering and the Company sold a portion of Rakuten Bank, Ltd. shares owned by the Company. With regards to the offering through overallotment, Rakuten Bank, Ltd. issued new shares through a third-party allotment to Daiwa Securities Co., Ltd. As a result, the Rakuten Group's voting rights and ownership ratio in Rakuten Bank, Ltd. decreased from 100% to 63.3% as of June 30, 2023. The Rakuten Group continues to control Rakuten Bank, Ltd. after the listing.

The effect of changes in ownership interests in subsidiaries without loss of control are as follows.

(Millions of Yen)

	Amount
Consideration for the share sale	85,080
Increase in non-controlling interests	(92,921)
Changes in equity attributable to owners of the Company	
Decrease in capital surplus	(8,681)
Increase in other components of equity	1,287

(ii) Issuance of new shares through public offering and third-party allotment

With a view to raising funds for investment financing 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 six months ended June 30, 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.

**(7) Notes to the Consolidated Financial Statements (Summary)
(Basis of Presentation)**

The Rakuten Group's summary of consolidated financial statements for the six months ended June 30, 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)
For the six months ended June 30, 2023 (January 1 to June 30, 2023)**

Except for the following, 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 six months ended June 30, 2023, as compared with the consolidated financial statements for the fiscal year ended December 31, 2022.

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.

(Material Accounting Policies)

Except for the following, material accounting policies adopted by the Rakuten Group in this summary of consolidated financial statements for the six months ended June 30, 2023 remain the same as those adopted in the consolidated financial statements for the previous fiscal year. In addition, income tax expenses for the six months ended June 30, 2023 are calculated based upon an estimated annual effective tax rate.

Adoption of IFRS 17 “Insurance Contracts”

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

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

The Rakuten Group adopted IFRS 17 “Insurance Contracts” (hereinafter “IFRS 17”) and restatement is presented at the beginning of the previous fiscal year, being the date of transition.

• 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 each portfolio 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.

An insurance contract issued by the Rakuten Group is 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.

Cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Rakuten Group can compel the policyholder to pay premiums or has a substantive obligation to provide services (including insurance coverage and any investment 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.

On initial recognition, the Rakuten Group measures a group of insurance contracts as the total of (a) 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; and (b) the contractual service margin (hereinafter the “CSM”). 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.

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 (c) 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.

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 remaining coverage comprises (i) the fulfilment cash flows that relate to services that will be provided under the contracts in future periods and (ii) any remaining CSM at that date.

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.

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

The Rakuten Group recognizes insurance revenue as it satisfies its performance obligations – i.e. 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.

- 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. This includes amounts arising from the derecognition of any assets for cash flows other than insurance acquisition cash flows at the date of initial recognition of a group of insurance contracts, which are recognized as insurance revenue and insurance service expenses at that date.
- Other amounts, including experience adjustments for premium receipts for current or past services for the insurance group and amounts related to incurred policyholder tax expenses.

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. The Rakuten Group recognizes the allocated amount, adjusted for interest accretion at the discount rates determined on initial recognition of the related group of contracts, as insurance revenue and an equal amount as insurance service expenses.

The Rakuten Group establishes a loss component of the liability for remaining coverage for onerous groups of insurance contracts. The loss component determines the amounts of fulfilment cash flows that are subsequently presented in profit or loss as reversals of losses on onerous contracts and are excluded from insurance revenue when they occur. When the fulfilment cash flows are incurred, they are allocated between the loss component and the liability for remaining coverage excluding the loss component on a systematic basis.

Insurance finance income or expenses are determined by systematically allocating the total sum of expected finance income or expenses over the remaining period of the insurance contract group, and is recognized 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 is recorded in other comprehensive

income.

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, 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 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 on initial recognition were estimated by adjusting the amount 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.

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 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 (Summary) at January 1, 2022 are presented in the Consolidated Statement of Changes in Equity (Summary).

Changes in Presentation Method

(Consolidated Statement of Comprehensive Income (Summary))

In the six months ended June 30, 2023, the Rakuten Group changed its presentation methods for the Consolidated Statement of Comprehensive Income (Summary) 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 (Summary) as a result of the reclassification of the Consolidated Financial Statements to reflect such changes are as follows.

For the six months ended June 30, 2022 (January 1 to June 30, 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	(2,216)	Changes in equity instruments measured at fair value through other comprehensive income	(1,460)
	Income tax effect of gains and losses on equity instruments measured at fair value through other comprehensive income	756		
	Remeasurement of defined benefit plans	20	Remeasurement of defined benefit plans	15
	Income tax effect of remeasurement of defined benefit plans	(5)		
Items that may be reclassified to net income	Foreign currency translation adjustments	119,573	Foreign currency translation adjustments	119,372
	Reclassification of foreign currency translation adjustments due to disposal of foreign operating businesses	(201)		
	Gains and losses on debt instruments measured at fair value through other comprehensive income	(11,579)	Changes in debt instruments measured at fair value through other comprehensive income	(8,387)
	Allowances for doubtful debts on debt instruments measured at fair value through other comprehensive income	7		
	Losses on debt instruments measured at fair value through other comprehensive income as reclassified from other comprehensive income to net income	(22)		
	Income tax effect of gains or losses on debt instruments measured at fair value through other comprehensive income	3,207		
	Gains on cash flow hedges recognized in other comprehensive income	13,064	Cash flow hedges	(2,335)
	Income tax effect of gains or losses on cash flow hedges recognized in other comprehensive income	(3,871)		
	Losses on cash flow hedges reclassified from other comprehensive income to net income	(16,469)		
	Income tax effect of gains or losses on cash flow hedges reclassified from other comprehensive income to net income	4,941		

For the three months ended June 30, 2022 (April 1 to June 30, 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	(2,418)	Changes in equity instruments measured at fair value through other comprehensive income	(1,787)
	Income tax effect of gains and losses on equity instruments measured at fair value through other comprehensive income	631		
	Remeasurement of defined benefit plans	(4)	Remeasurement of defined benefit plans	(2)
	Income tax effect of remeasurement of defined benefit plans	2		
Items that may be reclassified to net income	Foreign currency translation adjustments	83,150	Foreign currency translation adjustments	82,949
	Reclassification of foreign currency translation adjustments due to disposal of foreign operating businesses	(201)		
	Gains and losses on debt instruments measured at fair value through other comprehensive income	(3,887)	Changes in debt instruments measured at fair value through other comprehensive income	(2,894)
	Allowances for doubtful debts on debt instruments measured at fair value through other comprehensive income	6		
	Losses on debt instruments measured at fair value through other comprehensive income as reclassified from other comprehensive income to net income	(3)		
	Income tax effect of gains or losses on debt instruments measured at fair value through other comprehensive income	990		
	Gains on cash flow hedges recognized in other comprehensive income	9,072	Cash flow hedges	(1,062)
	Income tax effect of gains or losses on cash flow hedges recognized in other comprehensive income	(2,692)		
	Losses on cash flow hedges reclassified from other comprehensive income to net income	(10,684)		
	Income tax effect of gains or losses on cash flow hedges reclassified from other comprehensive income to net income	3,242		

(Consolidated Statement of Changes in Equity (Summary))

In the six months ended June 30, 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 “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”.

“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 (Summary) for the six months ended June 30, 2022 have been reclassified. Impacts of this change to the Consolidated Statement of Changes in Equity (Summary) for the six months ended June 30, 2022 are as follows.

For the six months ended June 30, 2022 (January 1 to June 30, 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”	2,941	Increase in common stock due to “Exercise of share acquisition rights”	2,941
Decrease in capital surplus due to “Issuance of shares with the exercise of share options”	(2,941)	Decrease in capital surplus due to “Exercise of share acquisition rights”	(2,941)
Increase in capital surplus due to “Issuance of share acquisition rights”	6,714	Increase in capital surplus due to “Share based compensation expenses”	6,593
Decrease in capital surplus due to “Forfeiture of share acquisition rights”	(121)		
Increase in retained earnings due to “Forfeiture of share acquisition rights”	121	Increase in retained earnings due to “Share based compensation expenses”	121
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”	3,361
Decrease in retained earnings due to “Others” under “Contributions by and distributions to owners”	(218)	Decrease in retained earnings due to “Others” under “Transactions with owners etc.”	(520)
Decrease in retained earnings due to “Others” under “Changes in ownership interests in subsidiaries”	(302)		
Decrease in non-controlling interests due to “Others” under “Changes in ownership interests in subsidiaries”	(132)	Decrease in non-controlling interests due to “Others” under “Transactions with owners etc.”	(132)

(Consolidated Statement of Cash Flows (Summary))

For the six months ended June 30, 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”, “Net increase (decrease) in commercial papers for credit card business”, which was included in “Net increase (decrease) in commercial papers”, “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 this change in presentation methods, the corresponding amounts from the Consolidated Financial Statements (Summary) for the six months ended June 30, 2022 have been reclassified.

As a result, ¥(29,460) million presented as “Net increase (decrease) in short-term borrowings” in the Consolidated Statement of Cash Flows (Summary) for the six months ended June 30, 2022 has been reclassified as “Net increase (decrease) in short-term borrowings for securities business” of ¥(33,000) million and “Net increase (decrease) in short-term borrowings for credit card business” of ¥3,540 million. ¥89,500 million presented as “Net increase (decrease) in commercial papers” has been reclassified as “Net increase (decrease) in commercial papers” of ¥82,000 million and “Net increase (decrease) in commercial papers for credit card business” of ¥7,500 million. ¥179,160 million presented as “Proceeds from long-term borrowings” has been reclassified as “Proceeds from long-term borrowings” of ¥71,400 million, and “Proceeds from long-term borrowings for credit card business” of ¥107,760 million. ¥(125,640) million presented as “Repayments of long-term borrowings” has been reclassified as “Repayments of long-term borrowings” of ¥(46,622) million and “Repayments of long-term borrowings for credit card business” of ¥(79,018) million.

“Capital contribution from non-controlling interests” and “Interest paid” included in “Others” under “Cash flows from financing activities” during the six months ended June 30, 2022, are separately presented for the six months ended June 30, 2023 due to an increase in financial materiality. In order to reflect this change in presentation methods, the Consolidated Statement of Cash Flows (Summary) for the six months ended June 30, 2022 has been reclassified.

As a result, ¥419 million presented under “Others” of “Cash flows from financing activities” in the Consolidated Statement of Cash Flows (Summary) for the six months ended June 30, 2022, has been reclassified into “Capital contribution from non-controlling interests” of ¥3,361 million, “Interest paid” of ¥(10,622) million and “Others” of ¥7,681 million. In addition, due to the application of IFRS 17, “Interest paid” decreased by ¥1 million.

(Significant Accounting Estimates and Judgments)

Preparation of the summary of consolidated financial statements under IFRS for the six months ended June 30, 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. Effects of changes in accounting estimates are recognized in the fiscal year in which such changes take place as well as fiscal years that follow.

Estimates and judgments that have significant impact on the amounts in the summary of consolidated financial statements for the six months ended June 30, 2023 remain the same as those in the consolidated financial statements 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 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 six months ended June 30, 2022 and the three months ended June 30, 2022 have been restated.

As described in (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 six months ended June 30, 2022 and the three months ended June 30, 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.

Six months ended June 30, 2022 (January 1 to June 30, 2022)

(Millions of Yen)

	Internet Services	FinTech	Mobile	Total
Segment revenue	513,279	315,906	157,403	986,588
Segment profit (loss)	33,080	47,284	(253,853)	(173,489)

Six months ended June 30, 2023 (January 1 to June 30, 2023)

(Millions of Yen)

	Internet Services	FinTech	Mobile	Total
Segment revenue	565,824	349,027	176,404	1,091,255
Segment profit (loss)	26,326	59,640	(185,093)	(99,127)

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 ¥7,580 million and segment profit decreased by ¥5,475 million in the Internet Services segment, and segment revenue and segment loss in the Mobile segment decreased by the same amount for the six months ended June 30, 2022.

Three months ended June 30, 2022 (April 1 to June 30, 2022)

(Millions of Yen)

	Internet Services	FinTech	Mobile	Total
Segment revenue	263,761	159,754	80,785	504,300
Segment profit (loss)	18,789	25,155	(121,533)	(77,589)

Three months ended June 30, 2023 (April 1 to June 30, 2023)

(Millions of Yen)

	Internet Services	FinTech	Mobile	Total
Segment revenue	294,686	181,002	80,071	555,759
Segment profit (loss)	14,475	33,000	(82,431)	(34,956)

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 ¥3,845 million and segment profit decreased by ¥2,749 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 June 30, 2022.

Reconciliation from Segment Revenue to Consolidated Revenue

(Millions of Yen)

	Six months ended June 30, 2022 (January 1 to June 30, 2022)	Six months ended June 30, 2023 (January 1 to June 30, 2023)
Segment revenue	986,588	1,091,255
Intercompany transactions, etc.	(98,339)	(118,455)
Consolidated revenue	888,249	972,800

(Millions of Yen)

	Three months ended June 30, 2022 (April 1 to June 30, 2022)	Three months ended June 30, 2023 (April 1 to June 30, 2023)
Segment revenue	504,300	555,759
Intercompany transactions, etc.	(51,071)	(58,594)
Consolidated revenue	453,229	497,165

Reconciliation from Segment Loss to Loss before Income Tax

(Millions of Yen)

	Six months ended June 30, 2022 (January 1 to June 30, 2022)	Six months ended June 30, 2023 (January 1 to June 30, 2023)
Segment loss	(173,489)	(99,127)
Intercompany transactions, etc.	(6,051)	(9,283)
Non-GAAP operating loss	(179,540)	(108,410)
Amortization of intangible assets	(4,171)	(4,259)
Share based compensation expenses	(6,405)	(7,997)
One-off items (Note)	(8,614)	(4,421)
Operating loss	(198,730)	(125,087)
Financial income and expenses	(14,642)	11,258
Share of losses of investments in associates and joint ventures	(2,769)	(8,796)
Loss before income tax	(216,141)	(122,625)

Note: One-off items of ¥8,614 million listed for the six months ended June 30, 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 six months ended June 30, 2023 include costs temporarily incurred due to the cancellation of base station construction etc. of ¥1,977 million, associated with changes to capital expenditure plans resulting from a review of roaming agreements in the mobile business, gains and losses resulting from the sale of all shares in Seiyu Holdings Co., Ltd., and fees paid to external experts and others such as legal fees related to fraudulent acts committed in collusion by former employees of a subsidiary and suppliers which came to light in the previous year.

(Millions of Yen)

	Three months ended June 30, 2022 (April 1 to June 30, 2022)	Three months ended June 30, 2023 (April 1 to June 30, 2023)
Segment loss	(77,589)	(34,956)
Intercompany transactions, etc.	(2,812)	(4,486)
Non-GAAP operating loss	(80,401)	(39,442)
Amortization of intangible assets	(2,199)	(2,160)
Share based compensation expenses	(2,946)	(3,882)
One-off items (Note)	—	(3,409)
Operating loss	(85,546)	(48,893)
Financial income and expenses	(9,184)	13,834
Share of losses of investments in associates and joint ventures	(2,150)	(8,163)
Loss before income tax	(96,880)	(43,222)

Note: One-off items listed for the three months ended June 30, 2023 include costs temporarily incurred due to the cancellation of base station construction etc. of ¥1,977 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 fiscal year.

(Breakdown of Operating Expenses)

(Millions of Yen)

	Six months ended June 30, 2022 (January 1 to June 30, 2022)	Six months ended June 30, 2023 (January 1 to June 30, 2023)
Advertising and promotion expenditures	173,222	180,069
Employee benefits expenses	159,926	178,968
Depreciation and amortization	129,393	154,278
Communication and maintenance expenses	35,077	31,979
Consignment and subcontract expenses	85,795	69,072
Allowance for doubtful accounts charged to expenses	15,752	13,520
Cost of sales of merchandise and services rendered	346,070	329,489
Interest expense for finance business	7,195	9,482
Commission fee expense for finance business	11,238	12,589
Cost of sales for insurance business	21,892	19,225
Others	89,627	97,018
Total	1,075,187	1,095,689

(Other Income and Other Expenses)

(1) Breakdown of Other Income

(Millions of Yen)

	Six months ended June 30, 2022 (January 1 to June 30, 2022)	Six months ended June 30, 2023 (January 1 to June 30, 2023)
Gains on valuation of investment securities	1,992	5,497
Others	3,926	7,001
Total	5,918	12,498

(2) Breakdown of Other Expenses

(Millions of Yen)

	Six months ended June 30, 2022 (January 1 to June 30, 2022)	Six months ended June 30, 2023 (January 1 to June 30, 2023)
Foreign exchange losses	6,519	2,148
Losses on disposal of property, plant and equipment and intangible assets	978	1,102
Impairment losses	5,109	2,187
Others	5,104	9,259
Total	17,710	14,696

(Financial Income and Financial Expenses)

(1) Breakdown of Financial Income

(Millions of Yen)

	Six months ended June 30, 2022 (January 1 to June 30, 2022)	Six months ended June 30, 2023 (January 1 to June 30, 2023)
Gains on valuation of derivatives (Note)	119,576	50,530
Others	309	1,605
Total	119,885	52,135

Note: Gains on valuation of derivatives from the collar contract for the prepaid variable share forward transactions of shares of Lyft, Inc. of ¥97,021 million and gains on valuation of derivatives from currency swaps related to foreign currency denominated permanent subordinated bonds of ¥22,555 million were recorded during the six months ended June 30, 2022. Gains on valuation of derivatives from the collar contract for the prepaid variable share forward transactions of shares of Lyft, Inc. of ¥14,999 million and gains on valuation of derivatives from currency swaps related to foreign currency denominated permanent subordinated bonds of ¥35,531 million were recorded during the six months ended June 30, 2023.

(2) Breakdown of Financial Expenses

(Millions of Yen)

	Six months ended June 30, 2022 (January 1 to June 30, 2022)	Six months ended June 30, 2023 (January 1 to June 30, 2023)
Interest expenses (Note 1)	11,806	22,889
Losses on valuation of investment securities (Note 2)	99,377	1,915
Foreign exchange losses (Note 3)	22,178	14,438
Others	1,166	1,635
Total	134,527	40,877

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 ¥443 million and of ¥488 million were recorded during the six months ended June 30, 2022 and the six months ended June 30, 2023, respectively.

Note 2: Losses on valuation of securities for the investment in Lyft, Inc. of ¥98,120 million and ¥1,915 million were recorded during the six months ended June 30, 2022 and the six months ended June 30, 2023, respectively.

Note 3: Foreign exchange losses of ¥22,178 million and ¥14,438 million arising from liabilities relating to funds raised from prepaid variable share forward transactions of shares of Lyft, Inc. were recorded for the six months ended June 30, 2022 and the six months ended June 30, 2023, respectively.

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

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 (Summary).

(Notes on Significant Subsequent Events)

No items to report.