

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 fiscal year ended December 31, 2023

Rakuten Group, Inc.
February 14, 2024

| | | | |
|--|--|--------|---|
| Company name | Rakuten Group, Inc. | Listed | Tokyo Stock Exchange |
| Code No | 4755 | URL | https://global.rakuten.com/corp/ |
| Representative | (Title) Chairman, President and CEO | | (Name) Hiroshi Mikitani |
| Contact person | (Title) CFO, Director and Group Executive Vice President | | (Name) Kenji Hirose |
| Scheduled date of Annual General Shareholders Meeting: March 28, 2024 | | | |
| Scheduled date of submission of Securities Report: March 28, 2024 | | | |
| Scheduled start date of dividend payment: — | | | |
| Supplementary materials for financial results: Yes | | | |
| Financial results information meeting held: Yes (For institutional investors and analysts) | | | |

1. Consolidated Results for the fiscal year ended December 31, 2023 (January 1 - December 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 | % |
| Fiscal Year ended December 31, 2023 | 2,071,315 | 7.8 | (212,857) | — | (217,741) | — | (329,535) | — |
| Fiscal Year ended December 31, 2022 | 1,920,894 | — | (371,612) | — | (415,612) | — | (380,244) | — |

| | 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 |
| Fiscal Year ended December 31, 2023 | (339,473) | — | (262,200) | — | (177.27) | (177.29) |
| Fiscal Year ended December 31, 2022 | (377,217) | — | (312,285) | — | (237.73) | (237.89) |

| | ROE (Return on equity attributable to owners of the Company) | ROA (Ratio of income before income tax to total assets) | OI margin (Ratio of operating income to revenue) |
|-------------------------------------|---|--|---|
| | % | % | % |
| Fiscal Year ended December 31, 2023 | (41.7) | (1.0) | (10.3) |
| Fiscal Year ended December 31, 2022 | (40.4) | (2.2) | (19.3) |

(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 | Total equity attributable to owners of the Company per share |
|-------------------------|-----------------|-----------------|--|---|--|
| | Millions of Yen | Millions of Yen | Millions of Yen | % | Yen |
| As of December 31, 2023 | 22,625,576 | 1,087,723 | 836,572 | 3.7 | 390.53 |
| As of December 31, 2022 | 20,402,281 | 848,711 | 791,351 | 3.9 | 497.56 |

(3) Consolidated Cash Flows

| | Net cash flows from operating activities | Net cash flows from investing activities | Net cash flows from financing activities | Cash and cash equivalents, end of year |
|-------------------------------------|--|--|--|--|
| | Millions of Yen | Millions of Yen | Millions of Yen | Millions of Yen |
| Fiscal Year ended December 31, 2023 | 724,192 | (597,416) | 291,956 | 5,127,674 |
| Fiscal Year ended December 31, 2022 | (262,068) | (948,289) | 1,486,686 | 4,694,360 |

2. Cash Dividends

| | Annual dividends per share | | | | | Total cash dividends (Total) | Payout ratio (Consolidated) | Ratio of dividends to equity attributable to owners of the Company (Consolidated) |
|-------------------|----------------------------|--------------------|-------------------|--------------------|-------|------------------------------|-----------------------------|---|
| | First quarter-end | Second quarter-end | Third quarter-end | Fiscal quarter-end | Total | | | |
| | Yen | Yen | Yen | Yen | Yen | Millions of Yen | % | % |
| FY2022 | — | 0.00 | — | 4.50 | 4.50 | 7,157 | — | 0.8 |
| FY2023 | — | 0.00 | — | 0.00 | 0.00 | — | — | — |
| FY2024 (Forecast) | — | — | — | — | — | | — | |

Note: Dividend per share for the fiscal year ending December 31, 2024 has not been decided yet.

3. Estimate of Consolidated Operating Results for fiscal year 2024 (January 1 to December 31, 2024)

For the estimate of consolidated operating results for fiscal year 2024, double-digit growth on consolidated operating results for the fiscal year 2023 is estimated for the fiscal year 2024 consolidated revenue, excluding the securities business whose results are heavily impacted by stock market conditions.

For details, see page 9, 1. Overview of Business Results, etc. (4) Future Outlook.

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, "3. Consolidated Financial Statements and Notes, (7) Notes to the Consolidated Financial Statements, (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)
2,142,140,300 shares (As of December 31, 2023)
1,590,463,000 shares (As of December 31, 2022)
2. Number of treasury stocks at the end of the period
384 shares (As of December 31, 2023)
244 shares (As of December 31, 2022)
3. Average number of shares during the period (cumulative from the beginning of the year)
1,914,977,919 shares (January 1 - December 31, 2023)
1,586,752,140 shares (January 1 - December 31, 2022)

This financial report is not subject to audit.

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

Consolidated earnings forecasts for the fiscal year ending December 31, 2024 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.

The Rakuten Group has adopted IFRS 17 "Insurance Contracts" (hereinafter "IFRS 17") from the beginning of the fiscal year ended December 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. As such, the ratios of year-on-year change for the fiscal year ended December 31, 2022 are not stated. For details, see page 18, "3. Consolidated Financial Statements and Notes, (7) Notes to the Consolidated Financial Statements, (Material Accounting Policies)".

1. Overview of Business Results, etc.

(1) Overview of Business Results for the fiscal year ended December 31, 2023

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

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

The Rakuten Group has adopted IFRS 17 "Insurance Contracts" from the beginning of the three months ended March 31, 2023. As a result, figures for the FinTech segment for the fiscal year ended December 31, 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 "3. Consolidated Financial Statements and Notes, (7) Notes to the Consolidated Financial Statements (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 fiscal year ended December 31, 2023 (Non-GAAP basis)

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

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

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

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

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

Non-GAAP operating loss of ¥335,192 million in the previous fiscal year.

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

(Non-GAAP)

(Millions of Yen)

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

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

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

(Millions of Yen)

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

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

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

(IFRS)

(Millions of Yen)

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

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, enhancing synergy effects, etc. In accordance with this change, segment revenue increased by ¥17,935 million and segment profit decreased by ¥13,573 million in the Internet Services segment, and segment revenue and segment loss in the Mobile segment decreased by the same amount for the fiscal year ended December 31, 2022.

Internet Services

In domestic e-commerce services, the mainstay of Internet services, the Rakuten Group is aiming for further growth in gross merchandise sales and revenue by working on various initiatives, including winning new customers, promotion of cross-use of services, and developing services and revitalizing regional economies through deeper cooperation with local governments and regional businesses. In the internet shopping mall "Rakuten Ichiba", the various measures and sales promotion activities which sought to improve customer convenience and satisfaction successfully led to further retention of customers. Moreover, the online travel booking service, "Rakuten Travel", saw growth in transaction value compared to the fiscal year ended December 31, 2022, thanks to favorable sales promotion measures and other measures in line with the recovery in demand for domestic travel. In addition, sales in the advertising business continued to grow due to the growth in transaction value in domestic e-commerce services.

In other Internet services including overseas Internet services, strong sales growth continued in the US cashback service "Rakuten Rewards". In addition, in the investment business, investment profit and loss improved compared to the previous fiscal year, in the messaging and VoIP service "Rakuten Viber", there was a recovery seen in various sales, including telecommunication fee revenue and advertising revenue, and in the sports business, revenue increased as "Vissel Kobe" won the J1 League championship, which resulted in an increase in revenue compared to the fiscal year ended December 31, 2022 and contributed to an increase in segment profit.

As a result, revenue for the Internet Services segment rose to ¥1,212,314 million, a 9.8% year-on-year increase, while segment profit stood at ¥76,831 million, an 18.9% year-on-year increase.

(Millions of Yen)

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

FinTech

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

As a result, the FinTech segment recorded ¥725,165 million in revenue, an 11.2% year-on-year increase, while segment profit stood at ¥122,915 million, a 36.8% year-on-year increase.

(Millions of Yen)

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

Mobile

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

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

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

(Millions of Yen)

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

(2) Overview of Financial Position for the fiscal year ended December 31, 2023

Assets

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

Liabilities

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

Equity

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

(3) Overview of Cash Flows for the fiscal year ended December 31, 2023

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

Cash Flows from Operating Activities

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

Cash Flows from Investing Activities

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

Cash Flows from Financing Activities

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

(4) Future Outlook

For the forecast of consolidated operating results for the fiscal year ending December 31, 2024, the Rakuten Group aims at double-digit growth on the fiscal year ended December 31, 2023 for consolidated revenue, excluding results from the securities business which are impacted substantially by the stock market. However, there is a possibility that some businesses may experience a decrease in revenue due to factors such as changes in marketing strategies implemented in December 2023 and rising prices of goods, some businesses may experience a decline in revenue, etc.

The outlook for each segment 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 winning new customers, promoting cross-use of services, and developing services and revitalizing regional economies through deeper cooperation with local governments and regional businesses, while creating new markets through the use of technologies such as data and AI. In "Rakuten Travel", although hurdles for growth may be higher compared to the fiscal year ended December 31, 2023, when performance was strong due to government travel support measures and other factors, we will continue to capture the expansion of inbound demand in order to increase revenue. 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 strive to further expand business and improve margins by strengthening Group synergies and marketing initiatives targeting young customers while aiming to achieve further growth in shopping transaction value. In banking services, we will aim to achieve further growth by increasing interest income through diversification of loan products for individuals and promotion of securitization business of monetary claims and real estate owned by corporations, as well as by increasing non-interest income by promoting use as a primary bank account, such as acquiring new accounts for depositing salaries and conducting bank transfers. 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; however, we intend to absorb the impact of zero commission domestic shares trading as soon as possible by further promoting efforts to diversify and expand our revenue sources such as US shares trading and margin trading.

Mobile

In mobile services, we will promote subscriber acquisition through competitive rate plans, one of Rakuten Mobile's strengths, and measures such as attractive marketing using the Rakuten Ecosystem, in addition to improved customer experience from the new roaming contracts, as well as through proposals to corporate businesses and local governments nationwide that have transactions with the Rakuten Group. In October 2023, Rakuten Mobile, Inc. received approval from the Minister of Internal Affairs and Communications for its special base station deployment plan for the 700 MHz frequency spectrum. Based on this approval, we will begin building a mobile network utilizing the 700 MHz band in order to improve the customer experience by providing an even higher-quality mobile service, and aim to further acquire subscribers while achieving profitability as soon as possible.

(5) Policy Concerning Decisions on Profit Distributions and Dividend Forecast

Considering the current financial situation of the Company, with the aim of ensuring its financial soundness, under the policy of not increasing the total amount of interest-bearing debt, we have been actively pursuing various types of capital-based procurement to secure funds for investment in growth businesses without relying solely on interest-bearing debt. We have also been working to reduce the balance of interest-bearing debt. Therefore, at the Board of Directors meeting held on February 14, 2024, we decided not to pay a dividend for the fiscal year ended December 31, 2023, considering that allocation of dividend resources to the reduction of interest-bearing debt will ultimately enhance shareholder value.

Our fundamental dividend policy is to strive to pay dividends in a stable and continuous manner, considering investments for medium- to long-term growth and the enhancement of internal reserves for the purpose of stabilizing our financial base; this policy will remain unchanged in the future. The timing of the resumption of dividends for the fiscal year ending December 31, 2024, and beyond, is currently undetermined. However, we strive to resume appropriate dividends in a timely and appropriate manner as we continue to work to return to profitability on a consolidated basis and reduce interest-bearing debt as soon as possible.

(Reference) Trends in Dividend per Share

| | Fiscal Year ended December 31, 2019 | Fiscal Year ended December 31, 2020 | Fiscal Year ended December 31, 2021 | Fiscal Year ended December 31, 2022 | Fiscal Year ended December 31, 2023 |
|--------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| Dividend per Share (Yen) | 4.50 | 4.50 | 4.50 | 4.50 | 0.00 |

(Reason for Difficulty in Making a Dividend Forecast)

The company's policy to maintain stable dividends runs alongside our strategy to retain sufficient income to build the reserves needed to develop our operations and maintain a sound financial structure. Allowing for flexible judgment in the fiscal year ending December 31, 2024, a dividend forecast is not provided.

2. Basic Policy on the Selection of Accounting Standards

The Rakuten Group has adopted International Financial Reporting Standard (IFRS) from the fiscal year ended December 31, 2013, for the purpose of enhancing comparability with the financial information of overseas companies in the same industry, expanding the scope of financing options, and unification of accounting treatment across the Rakuten Group.

3. Consolidated Financial Statements and Notes

(1) Consolidated Statement of Financial Position

(Millions of Yen)

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

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

(Millions of Yen)

| | Fiscal Year ended December 31, 2022 (January 1 to December 31, 2022) | Fiscal Year ended December 31, 2023 (January 1 to December 31, 2023) |
|--|--|--|
| Continuing Operations | | |
| Revenue | 1,920,894 | 2,071,315 |
| Operating expenses | 2,254,857 | 2,234,959 |
| Other income | 8,372 | 10,272 |
| Other expenses | 46,021 | 59,485 |
| Operating loss | (371,612) | (212,857) |
| Financial income | 115,432 | 73,417 |
| Financial expenses | 156,884 | 64,570 |
| Share of losses of investments in associates and joint ventures | (2,548) | (13,731) |
| Loss before income tax | (415,612) | (217,741) |
| Income tax expenses (benefit) | (35,368) | 111,794 |
| Net loss | (380,244) | (329,535) |
| Net loss attributable to: | | |
| Owners of the Company | (377,217) | (339,473) |
| Non-controlling interests | (3,027) | 9,938 |
| Net loss | (380,244) | (329,535) |
| (Yen) | | |
| Losses per share attributable to owners of the Company | | |
| Basic | (237.73) | (177.27) |
| Diluted | (237.89) | (177.29) |

Consolidated Statement of Comprehensive Income

(Millions of Yen)

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

(3) Consolidated Statement of Changes in Equity

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

(Millions of Yen)

| | 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 | Other Components of Equity | | | |
| As of January 1, 2023 | 294,061 | 353,786 | 317,316 | (280,085) | (0) | 106,273 | 791,351 | 57,360 | 848,711 |
| Comprehensive income | | | | | | | | | |
| Net loss | — | — | — | (339,473) | — | — | (339,473) | 9,938 | (329,535) |
| Other comprehensive income, net of tax | — | — | — | — | — | 65,718 | 65,718 | 1,617 | 67,335 |
| Total comprehensive income | — | — | — | (339,473) | — | 65,718 | (273,755) | 11,555 | (262,200) |
| Transactions with owners etc. | | | | | | | | | |
| Issuance of shares | 148,005 | 146,780 | — | — | — | — | 294,785 | — | 294,785 |
| Cash dividends paid | — | — | — | (7,157) | — | — | (7,157) | — | (7,157) |
| Distributions to owners of other equity instruments | — | — | — | (16,058) | — | — | (16,058) | — | (16,058) |
| 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 | 4,703 | (4,703) | — | — | — | — | 0 | — | 0 |
| Share based compensation expenses | — | 13,900 | — | 274 | — | — | 14,174 | — | 14,174 |
| Equity transactions with non-controlling shareholders | — | 31,757 | — | — | — | 1,479 | 33,236 | 183,369 | 216,605 |
| Others | — | — | — | (4) | — | — | (4) | (1,133) | (1,137) |
| Total transactions with owners etc. | 152,708 | 187,734 | — | (24,433) | (0) | 2,967 | 318,976 | 182,236 | 501,212 |
| As of December 31, 2023 | 446,769 | 541,520 | 317,316 | (643,991) | (0) | 174,958 | 836,572 | 251,151 | 1,087,723 |

(4) Consolidated Statement of Cash Flows

(Millions of Yen)

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

(4) Consolidated Statement of Cash Flows

(Millions of Yen)

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

(5) Assumptions for Going Concern

No items to report.

(6) Material Changes in Shareholders' Equity

Fiscal year ended December 31, 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 regard to the offering through overallotment, Rakuten Bank, Ltd. issued new shares through a third-party allotment to Daiwa Securities Co. Ltd.

The Rakuten Group conducted the overseas secondary offering of Rakuten Bank, Ltd. shares owned by the Company during the three months ended December 31, 2023.

As a result, the Rakuten Group's voting rights ratio and ownership ratio in Rakuten Bank, Ltd. decreased from 100% to 49.27% as of December 31, 2023.

The Rakuten Group does not own a majority of the voting rights in Rakuten Bank, Ltd., but the Rakuten Group owns 49.27% of the voting rights. Taking into consideration the dispersed ownership of the voting rights, the Rakuten Group has determined that the Rakuten Group effectively controls Rakuten Bank, Ltd. and considers it as a consolidated subsidiary.

A summary of the transaction with non-controlling shareholders is as follows:

(Millions of Yen)

| | Amount |
|---|-----------|
| Consideration for the share sale | 145,718 |
| Increase in non-controlling interests | (132,195) |
| Changes in equity attributable to owners of the Company | |
| Increase in capital surplus | 7,090 |
| Decrease in foreign currency translation adjustments | (2,099) |
| Increase in financial assets measured at FVTOCI | 3,792 |
| Decrease in cash flow hedges | (13) |
| Increase in remeasurement of retirement benefit plan | 45 |

(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 fiscal year ended December 31, 2023, amounts of common stock and capital surplus increased by ¥148,005 million and ¥146,780 million respectively, for a total increase of ¥294,785 million to equity. Moreover, direct issuance costs (after considering tax effects) of ¥1,225 million associated with the issuance of new shares have been deducted from the capital surplus. Mikitani Kosan, Inc. and Spirit Inc. fall under related parties as they are controlled by executives of the Rakuten Group, major (individual) shareholders and their close relatives.

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

The Rakuten Group sold an additional amount, equivalent to 29.01% of the outstanding shares of Rakuten Securities, Inc. from common shares held by Rakuten Securities Holdings, Inc., one of the Company's consolidated subsidiaries, to Mizuho Securities Co., Ltd., during the three months ended December 31, 2023.

As a result, the Rakuten Group's voting rights ratio and ownership ratio in Rakuten Securities, Inc. changed from 80.01% to 51.00%. The Rakuten Group continues to control Rakuten Securities, Inc. after the sale.

A summary of the transaction with non-controlling shareholders is as follows:

(Millions of Yen)

| | Amount |
|---|----------|
| Consideration for the share sale | 87,002 |
| Increase in non-controlling interests | (52,384) |
| Changes in equity attributable to owners of the Company | |
| Increase in capital surplus | 24,202 |
| Decrease in foreign currency translation adjustments | (249) |
| Decrease in financial assets measured at FVTOCI | (14) |
| Increase in remeasurement of retirement benefit plan | 16 |

(7) Notes to the Consolidated Financial Statements

(Basis of Presentation)

The Rakuten Group's consolidated financial statements are prepared in accordance with IFRS set out by the International Accounting Standards Board. As it meets the requirements set out under Article 1-2 of the Rules on Terminology, Formats and Compilation Methods of Consolidated Financial Statements, under which the Rakuten Group is qualified as a "Specified Company under the Designated International Accounting Standards", the provision of Article 93 of the said rules is applied.

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

Seiyu Holdings Co., Ltd. has been excluded from the scope of equity method due to the sale of all its shares during the three months ended June 30, 2023.

(Material Accounting Policies)

Material accounting policies adopted by the Rakuten Group in these consolidated financial statements for the fiscal year ended December 31, 2023 remain the same as those adopted in the consolidated financial statements for the previous fiscal year, except for the following.

Adoption of IFRS 17 "Insurance Contracts"

The Rakuten Group has adopted the following accounting standard from year ended December 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

The accounting policy for insurance contracts is as follows.

1) Classification and aggregation of insurance contracts

Contracts under which the Rakuten Group accepts significant insurance risk are classified as insurance contracts. Insurance contracts are aggregated into groups for measurement purposes. Groups of insurance contracts are determined by identifying portfolios of insurance contracts, each comprising contracts subject

to similar risks and managed together, and dividing into three groups based on the profitability of contracts:

- a group of contracts that are onerous on initial recognition.
- a group of contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
- a group containing the remaining contracts in the portfolio.

2) Recognition and measurement of insurance contracts

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.

i) The initial recognition of an insurance contract not accounted for under the Premium Allocation Approach (hereinafter "PAA")

Insurance contract not accounted for under the PAA is the general measurement model is applied and consists of the following items.

(a) Fulfilment cash flows

The fulfilment cash flows, which comprise estimates of future cash flows, adjusted to reflect the time value of money and the associated financial risks, and a risk adjustment for non-financial risk. The fulfilment cash flows of a group of insurance contracts do not reflect the Rakuten Group's non-performance risk. The risk adjustment for non-financial risk for a group of insurance contracts, determined separately from the other estimates, is the compensation required for bearing uncertainty about the amount and timing of the cash flows that arises from non-financial risk.

(b) Contractual service margin (hereinafter the "CSM")

The CSM of a group of insurance contracts represents the unearned profit that the Rakuten Group will recognize as it provides services under those contracts.

On initial recognition of a group of insurance contracts, if the total of (a) the fulfilment cash flows, (b) any cash flows arising at that date and any amount arising from the derecognition of any assets or liabilities previously recognized for cash flows related to the group (including assets for insurance acquisition cash flows) is a net inflow, then the group is not onerous. In this case, the CSM is measured as the equal and opposite amount of the net inflow, which results in no income or expenses arising on initial recognition.

ii) Subsequent measurement of an insurance contract not accounted for under the PAA

The carrying amount of a group of insurance contracts at each reporting date is the sum of the liability for remaining coverage and the liability for incurred claims. The liability for incurred claims includes the fulfilment cash flows for incurred claims and expenses that have not yet been paid, including claims that have been incurred but not yet reported.

The liability for remaining coverage comprises consists of the following items.

(a) Fulfilment cash flows

The fulfilment cash flows of groups of insurance contracts are measured at the reporting date using current estimates of future cash flows, current discount rates and current estimates of the risk adjustment for non-financial risk.

(b) CSM

The CSM is calculated as of the reporting date by adding or subtracting the following items to or from the opening balance for the reporting period.

- a) The CSM of any new contracts that are added to the group in the year.
- b) Interest accreted on the carrying amount of the CSM during the year, measured at the discount rates on nominal cash flows that do not vary based on the returns on any underlying items determined on initial recognition.
- c) Changes in fulfilment cash flows that relate to future services.

1. Experience adjustments arising from premiums received in the year that relate to future services and

related cash flows, measured at the discount rates determined on initial recognition.

2. Changes in estimates of the present value of future cash flows in the liability for remaining coverage, measured at the discount rates determined on initial recognition, except for those that arise from the effects of the time value of money, financial risk and changes therein.
3. Differences between any investment component expected to become payable in the year, and the actual amount that becomes payable in the year.
4. Changes in the risk adjustment for non-financial risk that relate to future services.

Changes in the fulfilment cash flows, except in the following cases.

- Any increases in the fulfilment cash flows exceed the carrying amount of the CSM, in which case the excess is recognized as a loss in profit or loss and creates a loss component.
- Any decreases in the fulfilment cash flows are allocated to the loss component, reversing losses previously recognized in profit or loss.

d) The amount recognized as insurance revenue because of the services provided in the year.

The Rakuten Group in preparing its annual and interim financial statements, determines as if no accounting estimates relating to IFRS 17 were made in past interim financial statements, either as an experience adjustment or a change in fulfilment cash flows.

3) Contract boundary

Cash flows are within the boundary of an insurance contract if they arise from the rights and obligations that exist during the period in which the policyholder is obligated to pay premiums or the Rakuten Group has a substantive obligation to provide the policyholder with insurance coverage or other services.

Cash flows within the boundary of a contract relate directly to the fulfilment of the contract, including those for which the Rakuten Group has discretion over the amount or timing. These include payments to (or on behalf of) policyholders, insurance acquisition cash flows and other costs that are incurred in fulfilling contracts.

Insurance acquisition cash flows arise from the activities of selling, underwriting, and starting a group of contracts that are directly attributable to the portfolio of contracts to which the group belongs. Other costs incurred in fulfilling insurance contracts include claims processing, maintenance and administration costs.

Insurance acquisition cash flows and other costs that are incurred in fulfilling contracts comprise both direct costs and an allocation of fixed and variable overheads. Cash flows are attributed to acquisition activities, other fulfilment activities and other activities. Cash flows attributable to acquisition and other fulfilment activities are allocated to groups of contracts using methods that are systematic and rational and are consistently applied to all costs that have similar characteristics. Other costs are recognized in profit or loss as they are incurred.

4) PAA

In addition to the contracts with coverage of less than one year, the PAA can be used for measurement of groups of contracts where the Rakuten Group reasonably expects that such a simplification would produce a measurement of the liability for remaining coverage that would not differ materially from the one that would be produced by applying the general measurement model.

The carrying amount of the liability for residual cover at initial recognition is measured as premiums received less other related amounts. The Rakuten Group has chosen not to adjust the liability for remaining coverage to reflect the time value of money and the effect of financial risk.

If each contract in the group of contracts has a coverage period of one year or less, insurance acquisition cash flows are recognized in loss when they are incurred.

If at any time during the coverage period, facts and circumstances indicate that a group of contracts is onerous, then the Rakuten Group recognizes a loss in profit or loss and increases the liability for remaining coverage to the extent that the current estimates of the fulfilment cash flows that relate to remaining coverage exceed the carrying amount of the liability for remaining coverage. The fulfilment cash flows are discounted (at current rates) if the liability for incurred claims is also discounted.

The Rakuten Group recognizes the liability for incurred claims of a group of insurance contracts at the amount of the fulfilment cash flows relating to incurred claims. The future cash flows are discounted (at current rates) unless they are expected to be paid in one year or less from the date the claims are incurred.

5) Presentation

i) Insurance revenue

(a) Insurance contract not accounted for under the PAA

The Rakuten Group recognizes insurance revenue as it satisfies its performance obligations - as it provides services under groups of insurance contracts. The insurance revenue relating to services provided for each year represents the total of the changes in the liability for remaining coverage that relate to services for which the Rakuten Group expects to receive consideration and comprises the following items. In addition, the Rakuten Group allocates a portion of premiums that relate to recovering insurance acquisition cash flows to each period in a systematic way based on the passage of time.

- A release of the CSM, measured based on coverage units provided.
- Changes in the risk adjustment for non-financial risk relating to current services.
- Claims and other insurance service expenses incurred in the year, generally measured at the amounts expected at the beginning of the year.
- Including experience adjustments for premium receipts for current or past services.

(b) Insurance contract accounted for under the PAA

For contracts measured under the PAA, the insurance revenue for each period is the amount of expected premium receipts for providing services in the period. The Rakuten Group allocates the expected premium receipts to each period based on the passage of time.

ii) Insurance service expenses

Insurance service expenses arising from insurance contracts are recognized in profit or loss generally as they are incurred. They exclude repayments of investment components and comprise the following items.

- Incurred claims and other insurance service expenses.
- Amortization of insurance acquisition cash flows: this is equal to the amount of insurance revenue recognized in the year that relates to recovering insurance acquisition cash flows.
- Adjustments for incurred claims.
- Losses on onerous contracts and reversals of such losses.

iii) Loss component

The Rakuten Group establishes a loss component of the liability for remaining coverage for onerous groups of insurance contracts. The 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.

iv) Insurance finance income or expenses

Insurance finance income and expenses comprise changes in the carrying amounts of groups of insurance contracts arising from the effects of the time value of money, financial risk and changes therein.

The Rakuten Group has chosen to disaggregate insurance finance income or expenses between profit or loss and other comprehensive income. The amount included in profit or loss is determined by a systematic allocation of the expected total insurance finance income or expenses over the duration of the group of contracts. This regular allocation results in a total amount recognized in other comprehensive income of zero over the life of the group of insurance contracts. The cumulative amount recognized in other comprehensive income at any point in time is the difference between the carrying amount of the group of insurance contracts and the amount by which the group is measured when the regular allocation is applied.

6) Transitional measures

The Rakuten Group adopts the full retrospective approach for insurance contract groups issued in the non-life insurance business, accordingly, such contracts are identified, recognized and measured as if IFRS 17 had always been applied.

With respects to insurance contract groups issued in the life insurance business, the Rakuten Group adopts the full retrospective approach for new contracts in the period between January 1, 2021 and December 31, 2021. For the period up to December 31, 2020, the Rakuten Group adopts the modified retrospective approach whereby contract groups as of the date of transition (January 1, 2022) were identified, recognized and measured. For new contracts that arose in the period up to December 31, 2020, adoption of the full retrospective approach was judged impractical, as the required information was not

collected (or 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 amounts that were known to have occurred before the transition date.
- For some groups of contracts, the risk adjustment for non-financial risk on initial recognition was determined by adjusting the amount at the transition date for the expected release of risk before the transition date. The expected release of risk was determined with reference to the release of risk for similar contracts that the Rakuten Group issued on the transition date.
- The amount of the CSM recognized in profit or loss before the transition date was determined by comparing the coverage unit on initial recognition and the remaining coverage units at the transition date.

The Rakuten Group has applied the transition provisions in IFRS 17 and has not disclosed the impact of the adoption of IFRS 17 on each financial statement line item and earnings per share. The effects of adopting IFRS 17 on the Consolidated Financial Statements on January 1, 2022 are presented in the Consolidated Statement of Changes in Equity.

Changes in Presentation Method

(Consolidated Statement of Comprehensive Income)

During the fiscal year ended December 31, 2023, the Rakuten Group changed presentation methods for the Consolidated Statement of Comprehensive Income with a view to enhancing the clarity of presentation.

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

For the fiscal year ended December 31, 2022 (January 1 to December 31, 2022)

(Millions of Yen)

| | Items before the changes | Amount | Items after the changes | Amount |
|---|---|----------|---|----------|
| Items that will not be reclassified to net income | Gains and losses on equity instruments measured at fair value through other comprehensive income | (8,560) | Changes in equity instruments measured at fair value through other comprehensive income | (6,004) |
| | Income tax effect of gains and losses on equity instruments measured at fair value through other comprehensive income | 2,556 | | |
| | Remeasurement of defined benefit plans | 2,503 | Remeasurement of defined benefit plans | 1,745 |
| | Income tax effect of remeasurement of defined benefit plans | (758) | | |
| Items that may be reclassified to net income | Foreign currency translation adjustments | 90,709 | Foreign currency translation adjustments | 87,141 |
| | Reclassification of foreign currency translation adjustments due to disposal of foreign operating businesses | (3,568) | | |
| | Gains and losses on debt instruments measured at fair value through other comprehensive income | (23,740) | Changes in debt instruments measured at fair value through other comprehensive income | (16,971) |
| | Allowance for doubtful debts on debt instruments measured at fair value through other comprehensive income | 15 | | |
| | Losses on debt instruments measured at fair value through other comprehensive income reclassified from other comprehensive income to net income | (6) | | |
| | Income tax effect of gains or losses on debt instruments measured at fair value through other comprehensive income | 6,760 | | |
| | Gains on cash flow hedges recognized in other comprehensive income | 5,039 | Cash flow hedges | (2,788) |
| | Income tax effect of gains or losses on cash flow hedges recognized in other comprehensive income | (1,652) | | |
| | Losses on cash flow hedges reclassified from other comprehensive income to net income | (8,762) | | |
| | Income tax effect of gains or losses on cash flow hedges reclassified from other comprehensive income to net income | 2,587 | | |

(Consolidated Statement of Changes in Equity)

During the fiscal year ended December 31, 2023, the Rakuten Group changed presentation methods for the Consolidated Statement of Changes in Equity with a view to enhancing the clarity of presentation.

Itemized presentation of components of "Other components of equity" is omitted and the total is presented instead as "Other components of equity". "Total contributions by and distributions to owners" and "Total changes in ownership interests in subsidiaries" presented as components of "Total transactions with owners etc." are omitted.

"Issuance of shares with the exercise of share options" and "Disposal of treasury stock with the exercise of share options" have been consolidated into "Exercise of share acquisition rights".

"Issuance of share acquisition rights" and "Forfeiture of share acquisition rights" have been consolidated into "Share based compensation expenses".

"Issuance of shares", "Changes in ownership interests in subsidiaries" and "Acquisition and disposal of non-controlling interests" presented as components of "Changes in ownership interests in subsidiaries" have been consolidated into "Equity transactions with non-controlling shareholders".

"Others" presented as components of "Contributions by and distributions to owners" and "Changes in ownership interests in subsidiaries" respectively, have been consolidated into "Others" as component of "Transactions with owners etc."

In order to reflect this change in presentation methods, the Consolidated Financial Statements for the fiscal year ended December 31, 2022 have been reclassified. Impacts of this change to the Consolidated Statement of Changes in Equity for the fiscal year ended December 31, 2022 are as follows.

For the fiscal year ended December 31, 2022 (January 1 to December 31, 2022)

(Millions of Yen)

| Items before the changes | Amount | Items after the changes | Amount |
|---|---------|--|---------|
| Increase in common stock due to "Issuance of shares with the exercise of share options" | 4,387 | Increase in common stock due to "Exercise of share acquisition rights" | 4,387 |
| Decrease in capital surplus due to "Issuance of shares with the exercise of share options" | (4,387) | Decrease in capital surplus due to "Exercise of share acquisition rights" | (4,387) |
| Increase in capital surplus due to "Issuance of share acquisition rights" | 13,359 | Increase in capital surplus due to "Share based compensation expenses" | 13,173 |
| Decrease in capital surplus due to "Forfeiture of share acquisition rights" | (186) | | |
| Increase in retained earnings due to "Forfeiture of share acquisition rights" | 186 | Increase in retained earnings due to "Share based compensation expenses" | 186 |
| Increase in capital surplus due to "Changes in ownership interests in subsidiaries" | 33,634 | Increase in capital surplus due to "Equity transactions with non-controlling shareholders" | 33,030 |
| Decrease in capital surplus due to "Acquisition and disposal of non-controlling interests" | (604) | | |
| Increase in non-controlling interests due to "Issuance of shares" | 3,361 | Increase in non-controlling interests due to "Equity transactions with non-controlling shareholders" | 36,568 |
| Increase in non-controlling interests due to "Changes in ownership interests in subsidiaries" | 31,813 | | |
| Increase in non-controlling interests due to "Acquisition and disposal of non-controlling interests" | 1,394 | | |
| Decrease in retained earnings due to "Others" under "Contributions by and distributions to owners" | (239) | Decrease in retained earnings due to "Others" under "Transactions with owners etc." | (542) |
| Decrease in retained earnings due to "Others" under "Changes in ownership interests in subsidiaries" | (302) | | |
| Decrease in other components of equity due to "Others" under "Changes in ownership interests in subsidiaries" | (218) | Decrease in other components of equity due to "Others" under "Transactions with owners etc." | (218) |
| Decrease in non-controlling interests due to "Others" under "Changes in ownership interests in subsidiaries" | (177) | Decrease in non-controlling interests due to "Others" under "Transactions with owners etc." | (177) |

(Consolidated Statement of Cash Flows)

"Capital contribution from non-controlling interests" and "Interest paid" included in "Others" under "Cash flows from financing activities" for the fiscal year ended December 31, 2022 are separately presented from the fiscal year ended December 31, 2023 due to an increase in financial materiality. In order to reflect this change in presentation methods, the Consolidated Statement of Cash Flows for the fiscal year ended December 31, 2022 has been reclassified.

As a result, ¥(12,457) million presented under "Others" of "Cash flows from financing activities" in the Consolidated Statement of Cash Flows for the fiscal year ended December 31, 2022 has been reclassified into "Capital contribution from non-controlling interests" of ¥3,361 million, "Interest paid" of ¥(23,334) million, and "Others" of ¥7,518 million. In addition, due to the application of IFRS 17, "Interest paid" decreased by ¥2 million.

(Significant Accounting Estimates and Judgments)

In preparing the consolidated financial statements under IFRS, the Rakuten Group uses judgments, accounting estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. These estimates and assumptions are based on the best judgment of management, made by gathering past experience and available information and in consideration of various factors that are considered reasonable as of the closing date. However, the figures based on these estimates and assumptions by their nature may differ from actual results.

Estimates and underlying assumptions are subject to continuous review. The effect of these revised estimates is recognized in the period in which the estimates are revised as well as future periods.

With exception to the below, estimates and judgments that have a significant impact on the amounts in the consolidated financial statements for the fiscal year ended December 31, 2023 remain the same as those for the previous fiscal year.

Partial Reversal of Deferred Tax Assets

Taking into account the business environment, future performance trends, etc., and after consideration of the recoverability of deferred tax assets, the Rakuten Group carried out a partial reversal in the fiscal year ended December 31, 2023.

A breakdown of income tax expenses including the reversal of deferred tax assets is as follows:

(Millions of Yen)

| | Income tax expenses |
|--|---------------------|
| Current tax expenses | |
| Income tax expense for net income | 33,676 |
| Subtotal | 33,676 |
| Deferred tax expenses | |
| Reversal of deferred tax | 73,217 |
| Recognition of deferred tax expenses without changes in deferred tax | 4,901 |
| Subtotal | 78,118 |
| Total | 111,794 |

(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 fiscal year ended December 31, 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 fiscal year ended December 31, 2022 have been restated.

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

The operating segment information is prepared in accordance with IFRS, and operating segment revenue and segment profit (loss) is that before intercompany eliminations without consideration of consolidation adjustments, except for certain subsidiaries. Non-GAAP operating income, the internal measures management uses in making decisions, is calculated by adjusting the nonrecurring items and other adjustment items prescribed by the Group Companies from the operating income recorded in accordance with IFRS.

Management believes that the disclosure of Non-GAAP financial measures facilitates comparison between the Group Companies and peer companies in the same industry or comparison of their business results with those of prior fiscal years by stakeholders, and can provide useful information in understanding the underlying business results of the Group Companies and their future outlook. Nonrecurring items refer to one-off items that the Group Companies believe should be excluded in preparing a future outlook based on certain parameters. Other adjustment items are those that tend to differ depending on the standards applied, and are therefore less comparable between companies, such as share based compensation expenses and amortization of acquisition-related intangible assets.

The Group Companies do not allocate assets and liabilities to operating segment information reviewed by the chief operating decision maker.

Fiscal Year ended December 31, 2022 (January 1 to December 31, 2022)

(Millions of Yen)

| | Internet Services | FinTech | Mobile | Total |
|-------------------------------|-------------------|---------|-----------|-----------|
| Segment revenue | 1,103,807 | 651,944 | 350,734 | 2,106,485 |
| Segment profit (loss) | 64,630 | 89,840 | (479,257) | (324,787) |
| Other items | | | | |
| Depreciation and amortization | 36,058 | 52,780 | 135,706 | 224,544 |

Fiscal Year ended December 31, 2023 (January 1 to December 31, 2023)

(Millions of Yen)

| | Internet Services | FinTech | Mobile | Total |
|-------------------------------|-------------------|---------|-----------|-----------|
| Segment revenue | 1,212,314 | 725,165 | 364,556 | 2,302,035 |
| Segment profit (loss) | 76,831 | 122,915 | (337,524) | (137,778) |
| Other items | | | | |
| Depreciation and amortization | 40,508 | 57,141 | 163,467 | 261,116 |

Note: Effective from the three months ended March 31, 2023, subsidiaries and businesses belonging to the media & entertainment department were transferred from the Mobile segment to the Internet Services segment. In accordance with this change, segment revenue increased by ¥17,935 million and segment profit decreased by ¥13,573 million in the Internet Services segment, and segment revenue and segment loss in the Mobile segment decreased by the same amount for the fiscal year ended December 31, 2022.

Reconciliation from Segment Revenue to Consolidated Revenue

(Millions of Yen)

| | Fiscal Year ended December 31, 2022 (January 1 to December 31, 2022) | Fiscal Year ended December 31, 2023 (January 1 to December 31, 2023) |
|---------------------------------|--|--|
| Segment revenue | 2,106,485 | 2,302,035 |
| Intercompany transactions, etc. | (185,591) | (230,720) |
| Consolidated revenue | 1,920,894 | 2,071,315 |

Reconciliation from Segment Loss to Loss before Income Tax

(Millions of Yen)

| | Fiscal Year ended December 31, 2022 (January 1 to December 31, 2022) | Fiscal Year ended December 31, 2023 (January 1 to December 31, 2023) |
|--|--|--|
| Segment loss | (324,787) | (137,778) |
| Intercompany transactions, etc. | (10,405) | (15,263) |
| Non-GAAP operating loss | (335,192) | (153,041) |
| Amortization of intangible assets | (8,657) | (13,564) |
| Share based compensation expenses | (12,587) | (14,318) |
| One-off items (Note) | (15,176) | (31,934) |
| Operating loss | (371,612) | (212,857) |
| Financial income and expenses | (41,452) | 8,847 |
| Share of losses of investments in associates and joint ventures | (2,548) | (13,731) |
| Loss before income tax | (415,612) | (217,741) |

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

iii. Products and Services Information

Revenue from external customers by major products and services of the Rakuten Group is as follows:

(Millions of Yen)

| | Fiscal Year ended December 31, 2022 (January 1 to December 31, 2022) | Fiscal Year ended December 31, 2023 (January 1 to December 31, 2023) |
|-----------------------------------|--|--|
| Rakuten Ichiba and Rakuten Travel | 441,619 | 491,426 |
| Rakuten Card | 194,363 | 206,309 |
| Rakuten Securities | 83,291 | 103,949 |
| Rakuten Bank | 91,327 | 97,866 |
| Rakuten Mobile | 188,514 | 219,513 |
| Others | 921,780 | 952,252 |
| Revenue from external customers | 1,920,894 | 2,071,315 |

iv. Geographic Information

For the fiscal year ended December 31, 2022

(Millions of Yen)

| | Japan | Americas | Europe | Asia | Others | Total |
|---|-----------|----------|---------|--------|--------|-----------|
| Revenue from external customers | 1,617,918 | 212,280 | 39,639 | 49,162 | 1,895 | 1,920,894 |
| Property, plant and equipment and intangible assets | 1,650,119 | 382,436 | 119,324 | 62,159 | 2,775 | 2,216,813 |

For the fiscal year ended December 31, 2023

(Millions of Yen)

| | Japan | Americas | Europe | Asia | Others | Total |
|---|-----------|----------|---------|--------|--------|-----------|
| Revenue from external customers | 1,756,243 | 213,031 | 49,052 | 51,270 | 1,719 | 2,071,315 |
| Property, plant and equipment and intangible assets | 1,687,127 | 394,144 | 129,058 | 79,076 | 2,633 | 2,292,038 |

v. Major Customers

For the fiscal year ended December 31, 2022

Disclosure of major customers is omitted because the proportion of revenue from an individual external customer does not exceed 10% of consolidated revenue.

For the fiscal year ended December 31, 2023

Disclosure of major customers is omitted because the proportion of revenue from an individual external customer does not exceed 10% of consolidated revenue.

(Breakdown of Operating Expenses)

(Millions of Yen)

| | Fiscal Year ended December 31, 2022 (January 1 to December 31, 2022) | Fiscal Year ended December 31, 2023 (January 1 to December 31, 2023) |
|---|--|--|
| Advertising and promotion expenditures | 359,261 | 365,120 |
| Employee benefits expenses | 337,722 | 357,901 |
| Depreciation and amortization | 275,611 | 314,416 |
| Communication and maintenance expenses | 72,596 | 65,818 |
| Consignment and subcontract expenses | 177,647 | 142,472 |
| Allowance for doubtful accounts charged to expenses | 36,454 | 28,517 |
| Cost of sales of merchandise and services rendered | 716,778 | 673,417 |
| Interest expenses for finance business | 15,590 | 20,317 |
| Commission fee expenses for finance business | 23,297 | 25,965 |
| Cost of sales for insurance business | 54,062 | 38,604 |
| Others | 185,839 | 202,412 |
| Total | 2,254,857 | 2,234,959 |

(Other Income and Other Expenses)

(Millions of Yen)

| | Fiscal Year ended December 31, 2022 (January 1 to December 31, 2022) | Fiscal Year ended December 31, 2023 (January 1 to December 31, 2023) |
|--|--|--|
| Foreign exchange gains | — | 220 |
| Others | 8,372 | 10,052 |
| Total other income | 8,372 | 10,272 |
| Foreign exchange losses | 4,167 | — |
| Losses on disposal of property, plant and equipment and intangible assets | 3,076 | 3,416 |
| Losses on valuation of investment securities | 9,391 | 3,883 |
| Impairment losses (Note 1) | 10,948 | 30,631 |
| Others (Note 2) | 18,439 | 21,555 |
| Total other expenses | 46,021 | 59,485 |

Note 1: An impairment loss of ¥15,922 million related to the online grocery delivery service was recorded for the fiscal year ended December 31, 2023.

Note 2: Estimated expenses of ¥11,996 million related to fraudulent acts committed in collusion by former employees of a subsidiary and suppliers were recorded for the fiscal year ended December 31, 2022.

(Financial Income and Financial Expenses)

(Millions of Yen)

| | Fiscal Year ended December 31, 2022 (January 1 to December 31, 2022) | Fiscal Year ended December 31, 2023 (January 1 to December 31, 2023) |
|--|--|--|
| Gains on valuation of investment securities (Note 1) | — | 21,099 |
| Gains on valuation of derivatives (Note 2) | 114,890 | 49,615 |
| Others | 542 | 2,703 |
| Total financial income | 115,432 | 73,417 |
| Interest expenses (Note 3) | 27,438 | 47,476 |
| Losses on valuation of investment securities (Note 4) | 110,956 | — |
| Losses on valuation of derivatives (Note 5) | 169 | 3,921 |
| Foreign exchange losses (Note 6) | 17,141 | 10,835 |
| Others | 1,180 | 2,338 |
| Total financial expenses | 156,884 | 64,570 |

Note 1: Gains on valuation of investment securities related to an investment in Lyft, Inc. of ¥21,011 million were recorded for the fiscal year ended December 31, 2023.

Note 2: Gain on valuation of derivatives from the collar contract for the prepaid variable share forward transactions of shares of Lyft, Inc. of ¥99,949 million and gains on valuation of derivatives from currency swaps related to foreign currency denominated permanent subordinated bonds of ¥14,940 million were recorded during the fiscal year ended December 31, 2022. Gains on valuation of derivatives from currency swaps related to foreign currency denominated permanent subordinated bonds of ¥49,615 million were recorded during the fiscal year ended December 31, 2023.

Note 3: Interest expenses incurred from financial liabilities measured at amortized cost relating to financing under the prepaid variable share forward transactions of shares of Lyft, Inc. of ¥953 million and of ¥1,024 million were recorded during the fiscal year ended December 31, 2022 and the fiscal year ended December 31, 2023, respectively.

Note 4: Losses on valuation of investment securities related to an investment in Lyft, Inc. of ¥109,341 million were recorded for the fiscal year ended December 31, 2022.

Note 5: Losses on valuation of derivatives from the collar contract for the prepaid variable share forward transactions of shares of Lyft, Inc. of ¥3,636 million were recorded during the fiscal year ended

December 31, 2023.

Note 6: Foreign exchange losses of ¥17,141 million and ¥10,835 million arising from liabilities relating to funds raised from the utilization of shares of Lyft, Inc. were recorded for the fiscal year ended December 31, 2022 and the fiscal year ended December 31, 2023, respectively.

(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.

(Earnings per Share)

The basis for calculating basic and diluted loss per share attributable to owners of the Company are as follows:

| | Fiscal Year ended December 31, 2022 | | | Fiscal Year ended December 31, 2023 | | |
|---|-------------------------------------|-------------|-----------|-------------------------------------|-------------|-----------|
| | Basic | Adjustments | Diluted | Basic | Adjustments | Diluted |
| Net loss attributable to owners of the Company (Millions of Yen) (Note 2) | (377,217) | (251) | (377,468) | (339,473) | (27) | (339,500) |
| Weighted average number of shares (Thousands of Shares) (Note 1) | 1,586,752 | — | 1,586,752 | 1,914,978 | — | 1,914,978 |
| Loss per share (Yen) | (237.73) | (0.16) | (237.89) | (177.27) | (0.02) | (177.29) |

Note 1: For the fiscal year ended December 31, 2022, share acquisition rights corresponding to 29,734 thousand shares have been excluded from the calculation of diluted loss per share, as they have reverse dilutive effects. For the fiscal year ended December 31, 2023, share acquisition rights corresponding to 38,524 thousand shares have been excluded from the calculation of diluted loss per share, as they have reverse dilutive effects.

Note 2: As described in (Material Accounting Policies), IFRS 17 has been adopted from the beginning of the three months ended March 31, 2023, and the accumulated impact from this change has been reflected as of the beginning of fiscal year ended December 31, 2022, being the date of transition. Therefore, the amounts for the fiscal year ended December 31, 2022 have been restated.

(Notes on Significant Subsequent Events)

(1) Issuance of Bonds

The Company issued the following USD-denominated bonds on February 6, 2024.

| | |
|--|---|
| Type | USD-denominated senior bonds maturing in 2027 |
| Total issuance amount | USD 1,800 million |
| Issuance price | 97.830% of face value |
| Interest rate | 11.250% per year |
| Coupon rate after currency swap (Note) | 7.21457% per year |
| Maturity date | February 15, 2027 |
| Payment date | February 6, 2024 |
| Purpose of use | 1. Tender Offers for USD-denominated senior bonds maturing in 2024 (including commissions and expenses for the offer) 2. Purchase of JPY-denominated senior bonds maturing in and after 2024 3. Repayment of existing bonds |

Note: Weighted average of coupon rates of multiple currency swaps entered into by the Company.

(2) Tender Offers of Bonds

The Company conducted cash tender offers for USD-denominated senior bonds maturing in 2024 (hereinafter the "offers") as follows.

i) Reason for the Offers

The offers are to be implemented with the aim of levelling the maturity profile of bonds.

ii) Description for the Offers

1) Bonds subject to the Offers

- a) 10.250% USD-denominated senior bonds maturing in 2024 (Rule 144A- CUSIP: 75102W AD0; ISIN: US75102WAD02; Common Code: 254337714; Reg.S- CUSIP: J64264 AC8; ISIN: USJ64264AC82; Common Code: 254635782) (hereinafter "10.250% Bonds")
- b) 3.546% USD-denominated senior bonds maturing in 2024 (Reg.S- CUSIP: n/a; ISIN: XS2080765154; Common Code: 208076515) (hereinafter "3.546% Bonds" and, together with the 10.250% Bonds, the "foreign bonds")

2) Principal Amount Outstanding

- a) 10.250% Bonds: USD 950,000,000
- b) 3.546% Bonds: USD 800,000,000

3) Tender Offers Consideration

- a) 10.250% Bonds: USD 1,006.76 (Notes 1,2,3)
- b) 3.546% Bonds: USD 956.75 (Notes 1,2,3)

Note 1: Per principal amount of USD 1,000.

Note 2: Excludes accrued interest.

Note 3: Excludes an early tender premium (USD 30.00 per USD 1,000 principal of foreign bonds).

4) Tender Offer Period

January 25, 2024 - February 23, 2024 at 5:00 p.m. (US Eastern Time)

Note: The early tender offer period closed on February 7, 2024 at 5:00 p.m., but the offers are scheduled to continue until the above time.

5) Funding

Cash on hand and net proceeds from the issuance of USD-denominated senior bonds maturing in 2027.

iii) Result of Early Tender Offer

1) Principal Amount of the Tender Offer

a) 10.250% Bonds: USD 599,407,000

b) 3.546% Bonds: USD 366,444,000

2) Early Settlement Date

February 13, 2024

3) Impact on the Rakuten Group

The Company has paid USD 983 million as a purchase amount for the foreign bonds (excluding accrued interest, including early tender premium). The difference between the purchase amount and the principal amount of the tender offer will be recorded in "Financial expenses" in the Consolidated Statement of Income, along with other related gains and losses.