

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 nine months ended September 30, 2020

Rakuten, Inc.
November 12, 2020

Company name	Rakuten, Inc.	Listed	Tokyo Stock Exchange
Code No	4755	URL	https://www.rakuten.co.jp/
Representative (Title)	Chairman and CEO	(Name)	Hiroshi Mikitani
Contact person (Title)	CFO	(Name)	Kenji Hirose
Supplementary materials for financial results: Yes			
Financial results information meeting held: Yes (For institutional investors and analysts)			

1. Consolidated Results for the nine months ended September 30, 2020 (January 1 – September 30, 2020)

(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	%
Nine months ended September 30, 2020	1,040,190	14.8	(60,519)	—	(119,599)	—	(72,406)	—
Nine months ended September 30, 2019	905,781	14.6	112,967	(15.4)	(2,059)	—	(14,754)	—

	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
Nine months ended September 30, 2020	(71,471)	—	(79,372)	—	(52.60)	(52.60)
Nine months ended September 30, 2019	(14,117)	—	(20,226)	—	(10.43)	(10.43)

(2) Consolidated Financial Position

	Total assets	Total equity	Total equity attributable to owners of the Company	Ratio of total equity attributable to owners of the Company to total assets
	Millions of yen	Millions of yen	Millions of yen	%
As of September 30, 2020	10,953,840	679,170	658,513	6.0
As of December 31, 2019	9,165,697	737,200	735,672	8.0

2. Dividends

	Annual dividend per share				
	Q1	Q2	Q3	Q4	Year
	Yen	Yen	Yen	Yen	Yen
FY2019	—	0.00	—	4.50	4.50
FY2020	—	0.00	—	—	—
FY2020 (Forecast)	—	—	—	—	—

Note: Dividend per share for the fiscal year ending December 31, 2020 has not been decided yet, and there are no changes to the previously disclosed dividend forecast.

3. Estimate of Consolidated Operating Results for Fiscal Year 2020 (January 1 to December 31, 2020)

For the estimate of consolidated operating results for fiscal year 2020, double-digit growth on consolidated operating results for fiscal year 2019 is estimated for fiscal year 2020 consolidated revenues, excluding the securities business whose results are heavily impacted by stock market conditions.

For details, see page 8, 1. Qualitative Information, Financial Statements, etc. (3) Qualitative Information about Consolidated Business Forecasts.

Note: There are no changes to the previously disclosed consolidated forecasts for the year ending December 31, 2020.

Notes

(1) Changes in significant subsidiaries during the current period

(Changes in specified subsidiaries resulting in change in scope of consolidation): Yes

New: 1 (Company name: Rakuten International Commercial Bank Co., Ltd.)

Excluded: — (Company name —)

(2) Changes in accounting policies and changes in accounting estimates

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

(3) Number of shares issued (Common stock)

1. Total number of shares issued at the end of the period (including treasury stocks)
 - 1,434,573,900 shares (As of September 30, 2020)
 - 1,434,573,900 shares (As of December 31, 2019)
2. Number of treasury stocks at the end of the period
 - 73,300,938 shares (As of September 30, 2020)
 - 78,318,938 shares (As of December 31, 2019)
3. Average number of shares during the period (cumulative from the beginning of the year)
 - 1,358,634,094 shares (January 1 – September 30, 2020)
 - 1,353,573,066 shares (January 1 – September 30, 2019)

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

Explanation about the appropriate use of earnings forecasts, and other special matters

Consolidated earnings forecasts for the year ending December 31, 2020 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 the projections.

1. Qualitative Information, Financial Statements, etc.

(1) Qualitative Information Concerning Consolidated Business Results

The Rakuten Group discloses consolidated business results in terms of both its internal measures which the 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.

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 nine months ended September 30, 2020 (Non-GAAP basis)

The world economy during the nine months ended September 30, 2020, remains severe due to the spread of COVID-19, but is beginning to recover. The Japanese economy is expected to follow the footsteps of the world economy due to the effects of various policy measures and overseas economic improvement amid rising levels of socioeconomic activities. On the other hand, attention must be paid continuously to how the domestic and global COVID-19 situation, financial market changes, and other factors will affect the Japanese economy. Against this backdrop, Japan’s Ministry of Health, Labour and Welfare is requesting that people practice a “New Lifestyle” to prevent the spread of COVID-19, including shopping online and utilizing electronic payment. IT companies provide the Internet services and online financial services that enable people to purchase products and enjoy services while reducing contact with others, and the social role expected for IT companies is further increasing.

Under such an environment, the Rakuten Group is continuing to develop businesses that bring together membership, data, and branding, along with the development and operation of services that proactively leverage AI, in addition to working to diversify business risks from the impact of infectious diseases, through business management that leverages the Rakuten Ecosystem, which consists of more than 70 diverse services in Japan and overseas.

In domestic e-commerce services, the mainstay of Internet Services, the Rakuten Group is aiming for further growth in gross merchandise sales and revenues by working on various initiatives, including sales promotion activities to cultivate loyal customers and win new customers, promotion of cross-use of services, further opening up the Rakuten Ecosystem, the introduction of unified measures for lines, including shipping fees, and reinforcing the logistics network. As voluntary restraint on outings intended to prevent the spread of COVID-19 was removed in phases, revenue from the online travel booking business, services for professional sporting events, etc. sharply improved from the previous quarter, but still marked declines year-on-year. On the other hand, an increase in stay-at-home consumption helped boost online shopping demand, and the transaction volume at the Internet shopping mall Rakuten Ichiba and other services keeps increasing at a fast pace. As for overseas Internet services, Rakuten’s online travel booking service and retail business declined in transaction volume but digital content and other services grew.

In the FinTech segment, Rakuten Card’s membership base has been expanding since the number of its members topped 20 million in June 2020, boosting transaction volume mainly in online shopping, and resulting in continued increases in revenue and income. In banking services as well, the number of newly acquired bank accounts rose steadily since total accounts exceeded 9 million in June 2020, leading to increased income from service transactions, etc. and contributing to revenue growth. In securities services, the number of newly opened accounts continued to rise significantly and, at the same time, domestic share and FX trading commissions rose. The increased commission earnings and other factors contributed to higher revenue and income.

In the Mobile segment, 5G service was inaugurated following the launch of full-scale services in April

2020. After the cumulative number of applications for subscription topped 1 million in June 2020, the Rakuten Group made further progress in winning more customers in and outside the Rakuten Ecosystem. It is accelerating the installment of base stations and expanding its service area with its own network lines while seeking to improve its network quality.

Through these efforts, the Rakuten Group achieved revenue of ¥1,040,190 million, up 14.8% year-on-year, for the nine months ended September 30, 2020. Non-GAAP operating loss was ¥79,377 million, compared to operating income of ¥127,336 million in the nine months ended September 30, 2019.

(Non-GAAP)

(Millions of yen)

	Nine months ended September 30, 2019	Nine months ended September 30, 2020	Amount Change YoY	% Change YoY
Revenue	905,781	1,040,190	134,409	14.8%
Non-GAAP Operating income (loss)	127,336	(79,377)	(206,713)	—%

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

For the nine months ended September 30, 2020, amortization of intangible assets of ¥7,910 million and share based compensation expenses of ¥8,036 million were excluded from Non-GAAP operating income. One-off items listed for the nine months ended September 30, 2020, include a gain on sales of all shares in OverDrive Holdings, Inc. of ¥40,926 million and impairment of property, plant and equipment etc. due to the closure of a U.S. based business.

(Millions of yen)

	Nine months ended September 30, 2019	Nine months ended September 30, 2020	Amount Change YoY
Non-GAAP Operating income (loss)	127,336	(79,377)	(206,713)
Amortization of intangible assets (PPA)	(6,855)	(7,910)	(1,055)
Share based compensation expenses	(7,514)	(8,036)	(522)
One-off items	—	34,804	34,804
IFRS Operating income (loss)	112,967	(60,519)	(173,486)

iii) Business Results for the nine months ended September 30, 2020 (IFRS basis)

For the nine months ended September 30, 2020, the Rakuten Group recorded revenue of ¥1,040,190 million, up 14.8% year-on-year, IFRS operating loss of ¥60,519 million, compared with operating income of ¥112,967 million in the nine months ended September 30, 2019, and net loss attributable to owners of the Company of ¥71,471 million, compared with net loss of ¥14,117 million in the nine months ended September 30, 2019.

(IFRS)

(Millions of yen)

	Nine months ended September 30, 2019	Nine months ended September 30, 2020	Amount Change YoY	% Change YoY
Revenue	905,781	1,040,190	134,409	14.8%
IFRS Operating income (loss)	112,967	(60,519)	(173,486)	—%
Net loss attributable to owners of the Company	(14,117)	(71,471)	(57,354)	—%

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.

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 revenues by working on various initiatives, including sales promotion activities to cultivate loyal customers and win new customers, promotion of cross-use of services, and further opening up the Rakuten Ecosystem. The Rakuten Group works to mitigate the medium- to long-term impact of volume limits and increases in shipping fees, and enhances the convenience of both customers and merchants who use Rakuten services by carrying out reinforcement of its logistics network and introducing a unified shipping fee threshold. These efforts include increasing capacity of the Rakuten Group's logistics facilities to accept products for stores on the Rakuten marketplace and expanding the last mile delivery area covered by the Rakuten Group based on the One Delivery concept of providing comprehensive logistics services. Services such as the Internet shopping mall Rakuten Ichiba and Rakuten 24, which sells medical supplies and daily necessities, etc. by mail order, saw an uplift in transaction volume due to increased demand for online shopping following the growth in so-called "stay-at-home consumption" triggered by the voluntary restraint on outings intended to prevent the spread of COVID-19. In online travel booking service "Rakuten Travel", revenue improved from the previous quarter, led by recovery in transaction volume of domestic accommodation, etc., amid gradual termination of the voluntary restraint intended to prevent the spread of COVID-19 coupled with the effects of the government's "Go To Travel" campaign. Income also improved due to such measures as greater efficiency in cost-cutting efforts. In services for professional sporting events, revenue decreased as the number of visitors was restricted in professional baseball's regular-season games and soccer's league competitions, but income improved amid the gradual relaxation of restrictions. Overseas Internet services were impacted by smaller transaction volume at online travel booking services and retailers, but transaction volume increased in Rakuten Kobo and other digital content services.

As a result, revenue for the Internet Service segment rose to ¥607,110 million, an 8.2% year-on-year increase, while segment loss stood at ¥3,961 million, compared with segment profit of ¥114,039 million in the nine months ended September 30, 2019.

	Nine months ended September 30, 2019	Nine months ended September 30, 2020	Amount Change YoY	% Change YoY
Segment Revenue	561,092	607,110	46,018	8.2%
Segment Profit (Loss)	114,039	(3,961)	(118,000)	—%

FinTech

In credit card related services, Rakuten Card's membership base has been expanding since the number of its members topped 20 million in June 2020, boosting transaction volume mainly in online shopping, although consumption remains severe in lodging and dining services in particular. As a result, revenue and income continued to increase. In banking services as well, the number of newly acquired bank accounts rose steadily since that of total accounts exceeded 9 million in June 2020, leading to increased income from service transactions, etc. and contributing to revenue growth. In securities services, the number of newly opened accounts continued to rise significantly and, at the same time, domestic share and FX trading commissions rose. The increased commission earnings and other factors contributed to higher revenue and income.

As a result, the FinTech segment recorded ¥425,727 million in revenue, a 20.3% year-on-year increase, while segment profit stood at ¥63,391 million, a 24.5% year-on-year increase.

(Millions of yen)

	Nine months ended September 30, 2019	Nine months ended September 30, 2020	Amount Change YoY	% Change YoY
Segment Revenue	353,995	425,727	71,732	20.3%
Segment Profit	50,933	63,391	12,458	24.5%

Mobile

In the Mobile segment, 5G service commenced in September 2020, following the launch of full-scale services in April 2020. After the cumulative number of applications for subscription topped 1 million in June 2020, the Rakuten Group made further progress in winning more customers in and outside the Rakuten Ecosystem. It is accelerating the installment of base stations and expanding its service area with its own network lines while seeking to improve its network quality.

As a result, revenue for the Mobile segment rose to ¥128,583 million, a 54.2% year-on-year increase, while segment loss stood at ¥140,294 million, compared with a loss of ¥33,472 million in the nine months ended September 30, 2019.

(Millions of yen)

	Nine months ended September 30, 2019	Nine months ended September 30, 2020	Amount Change YoY	% Change YoY
Segment Revenue	83,386	128,583	45,197	54.2%
Segment Loss	(33,472)	(140,294)	(106,822)	—%

(2) Analysis Concerning Financial Position

i) Assets, Liabilities, and Equity

Assets

Total assets as of September 30, 2020 amounted to ¥10,953,840 million, an increase of ¥1,788,143 million from ¥9,165,697 million at the end of the previous fiscal year. The primary factors were an increase of ¥1,098,628 million in cash and cash equivalents from financing, an increase of ¥410,230 million in financial assets for securities business, and an increase of ¥233,482 million in property, plant and equipment.

Liabilities

Total liabilities as of September 30, 2020 amounted to ¥10,274,670 million, an increase of ¥1,846,173 million from ¥8,428,497 million at the end of the previous fiscal year. The primary factors include an increase of ¥969,037 million in deposits for banking business, an increase of ¥463,559 million in financial liabilities of securities business, and an increase of ¥415,948 million in bonds and debts.

Equity

Total equity as of September 30, 2020 was ¥679,170 million, a decrease of ¥58,030 million from ¥737,200 million at the end of the previous fiscal year. The primary factors include a decrease of ¥79,753 million in retained earnings due mainly to the recording of ¥71,471 million in net loss attributable to owners of the Company during the nine months ended September 30, 2020.

ii) Cash Flows

Cash and cash equivalents as of September 30, 2020 stood ¥2,577,185 million, an increase of ¥1,098,628 million from the end of the previous fiscal year. Cash flow conditions and their main factors for the nine months ended September 30, 2020 are as follows.

Net cash flows from operating activities

Net cash flows from operating activities for the nine months ended September 30, 2020 resulted in a cash inflow of ¥848,109 million (compared with a cash inflow of ¥105,792 million for the same period of the previous fiscal year). Main factors included a cash outflow of ¥410,307 million due to an increase in financial assets for securities business, offset by a cash inflow of ¥968,928 million due to an increase in deposits of banking business and a cash inflow of ¥463,678 million due to an increase in financial liabilities of securities business.

Net cash flows from investing activities

Net cash flows from investing activities for the nine months ended September 30, 2020 resulted in a cash outflow of ¥147,249 million (compared with a cash outflow of ¥204,496 million for the same period of the previous fiscal year). Main factors included a net cash inflow of ¥37,220 million due to purchase and sales, etc. of investment securities for banking business (a cash inflow of ¥361,595 million due to sales and redemption of investment securities, and a cash outflow of ¥324,375 million due to purchase of investment securities), offset by a cash outflow of ¥189,568 million due to purchase of property, plant and equipment, and a cash outflow of ¥72,764 million due to purchase of intangible assets.

Net cash flows from financing activities

Net cash flows from financing activities for the nine months ended September 30, 2020 resulted in a cash inflow of ¥400,855 million (compared with a cash inflow of ¥238,701 million for the same period of the previous fiscal year). Main factors included a cash outflow of ¥260,802 million due to repayment of long-term debt, offset by a cash inflow of ¥354,167 million due to proceeds from long-term debt, a cash inflow of ¥193,425 million due to an increase in short-term debt, and a cash inflow of ¥163,500 million due to an increase in commercial papers.

(3) Qualitative Information about Consolidated Business Forecasts

Currently, for the forecast of consolidated operating results for Fiscal Year 2020, the Rakuten Group aims at double-digit growth from the previous fiscal year for consolidated revenue, excluding results from the securities business which are impacted substantially by the stock market. However, there is a possibility that some businesses may experience a decrease in revenue due to the impact of the voluntary restraint on outings in response to COVID-19.

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

Internet Services

Rakuten Travel, the online travel booking service, was strongly affected by the spread of COVID-19, which caused people to refrain from going out, and a decrease in revenue is expected. However, travel in Japan and other travel-related services are expected to recover as economic activity is resuming in phases after the lifting of the state of emergency in May 2020. In the sports business, professional baseball's regular-season games and soccer's league competitions were resumed. Revenue is projected to decrease year-on-year but is expected to recover amid phased easing of attendance limits. In the area of domestic Internet Services including e-commerce, the Rakuten Group will aim for further growth in gross transaction value and revenue by pursuing various initiatives, such as cultivating a loyal customer base, winning new customers, promoting cross-use of services, strengthening its logistics network with a view to expanding the e-commerce platform, and further opening up the Rakuten Ecosystem, while creating new markets through the use of technologies such as data and AI. In overseas Internet services, we aim to expand the Rakuten Ecosystem's membership base, raise the profile of the brand and provide new value to users.

FinTech

In credit card related services, we will continue striving to achieve further growth in shopping transaction value by strengthening marketing initiatives aimed at expanding market share and synergy. In banking services, the business base is expected to expand due to factors including the acquisition of new accounts. In insurance services, we will aim for further growth by 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. The Rakuten Group is also maintaining a close eye on increases in the allowance for doubtful accounts of the finance business, as corporate earnings have deteriorated due to the spread of COVID-19.

Mobile

In the mobile phone carrier business, which launched full-scale services on April 8, 2020, the announced rate plan offers one year of free telecommunication charges, with revenues expected to be limited for the current fiscal year. Furthermore, we are promoting the development of our base stations nationwide under plans to establish specified base stations for spreading fourth-generation mobile communication systems and also introducing fifth-generation mobile communications systems, which were certified by the Minister of Internal Affairs and Communications in April 2018 and April 2019, respectively, thereby expanding the in-house network area ahead of schedule. As a result of these efforts, we expect an increase in operating expenses including depreciation.

2. Consolidated Financial Statements (Summary)
(1) Consolidated Statements of Financial Position (Summary)

(Millions of yen)

	As of December 31, 2019	As of September 30, 2020
Assets		
Cash and cash equivalents	1,478,557	2,577,185
Accounts receivable – trade	222,485	186,921
Financial assets for securities business	1,976,009	2,386,239
Loans for credit card business	1,828,216	1,784,553
Investment securities for banking business	272,711	245,119
Loans for banking business	1,049,993	1,161,745
Investment securities for insurance business	287,200	278,036
Derivative assets	28,050	32,938
Investment securities	163,259	204,285
Other financial assets	390,234	434,520
Investments in associates and joint ventures	177,199	58,208
Property, plant and equipment	376,424	609,906
Intangible assets	609,450	638,884
Deferred tax assets	80,153	129,908
Other assets	225,757	225,393
Total assets	9,165,697	10,953,840
Liabilities		
Accounts payable – trade	329,483	242,568
Deposits of banking business	3,160,748	4,129,785
Financial liabilities of securities business	1,860,645	2,324,204
Derivative liabilities	10,172	8,606
Bonds and Debts	1,727,096	2,143,044
Other financial liabilities	820,440	902,238
Income tax payable	12,952	5,563
Provisions	109,845	142,814
Insurance business policy reserves	318,090	293,905
Employee retirement benefit liabilities	11,374	15,982
Deferred tax liabilities	2,049	1,649
Other liabilities	65,603	64,312
Total liabilities	8,428,497	10,274,670
Equity		
Equity attributable to owners of the Company		
Common stock	205,924	205,924
Capital surplus	224,379	226,641
Retained earnings	413,603	333,850
Treasury stock	(92,305)	(86,388)
Other components of equity	(15,929)	(21,514)
Total equity attributable to owners of the Company	735,672	658,513
Non-controlling interests	1,528	20,657
Total equity	737,200	679,170
Total liabilities and equity	9,165,697	10,953,840

(2) Consolidated Statements of Income and Comprehensive Income (Summary)
Consolidated Statements of Income (Summary)
(For the nine months ended September 30, 2019 and 2020)

(Millions of yen)

	Nine months ended September 30, 2019 (January 1 to September 30, 2019)	Nine months ended September 30, 2020 (January 1 to September 30, 2020)
Continuing Operations		
Revenue	905,781	1,040,190
Operating expenses	895,428	1,125,151
Other income	106,957	45,594
Other expenses	4,343	21,152
Operating income (loss)	112,967	(60,519)
Financial income	2,723	952
Financial expenses	7,121	22,050
Share of losses of investments in associates and joint ventures	(110,628)	(37,982)
Loss before income tax	(2,059)	(119,599)
Income tax expense	12,695	(47,193)
Net loss	(14,754)	(72,406)
Net loss attributable to:		
Owners of the Company	(14,117)	(71,471)
Non-controlling interests	(637)	(935)
Net loss	(14,754)	(72,406)
(Yen)		
Losses per share attributable to owners of the Company		
Basic	(10.43)	(52.60)
Diluted	(10.43)	(52.60)

Consolidated Statements of Income (Summary)
(For the three months ended September 30, 2019 and 2020)

(Millions of yen)

	Three months ended September 30, 2019 (July 1 to September 30, 2019)	Three months ended September 30, 2020 (July 1 to September 30, 2020)
Continuing Operations		
Revenue	319,137	361,422
Operating expenses	315,759	394,341
Other income	2,124	683
Other expenses	4,430	7,562
Operating income (loss)	1,072	(39,798)
Financial income	611	436
Financial expenses	2,798	14,624
Share of losses of investments in associates and joint ventures	(111,198)	(25,261)
Loss before income tax	(112,313)	(79,247)
Income tax expense	2,344	(34,665)
Net loss	(114,657)	(44,582)
Net loss attributable to:		
Owners of the Company	(114,366)	(43,986)
Non-controlling interests	(291)	(596)
Net loss	(114,657)	(44,582)
(Yen)		
Losses per share attributable to owners of the Company		
Basic	(84.41)	(32.33)
Diluted	(84.41)	(32.33)

Consolidated Statements of Comprehensive Income (Summary)

(For the nine months ended September 30, 2019 and 2020)

(Millions of yen)

	Nine months ended September 30, 2019 (January 1 to September 30, 2019)	Nine months ended September 30, 2020 (January 1 to September 30, 2020)
Net loss	(14,754)	(72,406)
Other comprehensive income		
Items that will not be reclassified to net income		
Gains (Losses) on equity instruments measured at fair value through other comprehensive income	20,600	(18,268)
Income tax effect of gains or losses on equity instruments measured at fair value through other comprehensive income	(5,881)	5,071
Remeasurement of insurance policy reserves based on current market interest rates	(6,416)	2,264
Income tax effect of remeasurement of insurance policy reserves based on current market interest rates	1,797	(634)
Remeasurement of defined benefit plans	(7)	6
Income tax effect of remeasurement of defined benefit plans	2	3
Share of other comprehensive income of associates and joint ventures	32	(23)
Total items that will not be reclassified to net income	10,127	(11,581)
Items that will be reclassified to net income		
Foreign currency translation adjustments	(14,331)	(11,690)
Foreign currency translation adjustments due to disposal of overseas sales activities	(291)	7,911
Income tax on foreign exchange differences	—	(1,166)
Gains (Losses) on debt instruments measured at fair value through other comprehensive income	2,678	1,484
Allowances for doubtful debts on debt instruments measured at fair value through other comprehensive income	(109)	40
Gains (Losses) on debt instruments measured at fair value through other comprehensive income reclassified from other comprehensive income to net income	(634)	(124)
Income tax effect of gains or losses on debt instruments measured at fair value through other comprehensive income	(540)	(420)
Gains (Losses) on cash flow hedges recognized in other comprehensive income	(1,122)	1,460
Income tax effect of gains or losses on cash flow hedges recognized in other comprehensive income	343	(442)
Gains (Losses) on cash flow hedges reclassified from other comprehensive income to net income	295	1,754
Income tax effect of gains or losses on cash flow hedges reclassified from other comprehensive income to net income	(98)	(543)
Share of other comprehensive income of associates and joint ventures	(1,790)	(1,291)
Gains (Losses) reclassified from share of other comprehensive income of associates and joint ventures	—	7,642
Total items that will be reclassified to net income	(15,599)	4,615
Other comprehensive income (loss), net of tax	(5,472)	(6,966)
Comprehensive income (loss)	(20,226)	(79,372)

Consolidated Statements of Comprehensive Income (Summary)
(For the nine months ended September 30, 2019 and 2020) (Continued)

(Millions of yen)

	Nine months ended September 30, 2019 (January 1 to September 30, 2019)	Nine months ended September 30, 2020 (January 1 to September 30, 2020)
Comprehensive income (loss) attributable to:		
Owners of the Company	(19,592)	(78,681)
Non-controlling interests	(634)	(691)
Comprehensive income (loss)	<u>(20,226)</u>	<u>(79,372)</u>

(For the three months ended September 30, 2019 and 2020)

(Millions of yen)

	Three months ended September 30, 2019 (July 1 to September 30, 2019)	Three months ended September 30, 2020 (July 1 to September 30, 2020)
Net loss	(114,657)	(44,582)
Other comprehensive income		
Items that will not be reclassified to net income		
Gains (Losses) on equity instruments measured at fair value through other comprehensive income	5,861	(2,732)
Income tax effect of gains or losses on equity instruments measured at fair value through other comprehensive income	(2,356)	772
Remeasurement of insurance policy reserves based on current market interest rates	(923)	99
Income tax effect of remeasurement of insurance policy reserves based on current market interest rates	259	(28)
Remeasurement of defined benefit plans	—	2
Income tax effect of remeasurement of defined benefit plans	—	(1)
Share of other comprehensive income of associates and joint ventures	30	30
Total items that will not be reclassified to net income	2,871	(1,858)
Items that will be reclassified to net income		
Foreign currency translation adjustments	(773)	(9,905)
Foreign currency translation adjustments due to disposal of overseas sales activities	—	2,584
Gains (Losses) on debt instruments measured at fair value through other comprehensive income	147	348
Allowances for doubtful debts on debt instruments measured at fair value through other comprehensive income	(50)	10
Gains (Losses) on debt instruments measured at fair value through other comprehensive income reclassified from other comprehensive income to net income	(23)	(29)
Income tax effect of gains or losses on debt instruments measured at fair value through other comprehensive income	(8)	(81)
Gains (Losses) on cash flow hedges recognized in other comprehensive income	(360)	(1,703)
Income tax effect of gains or losses on cash flow hedges recognized in other comprehensive income	117	526
Gains (Losses) on cash flow hedges reclassified from other comprehensive income to net income	97	1,499
Income tax effect of gains or losses on cash flow hedges reclassified from other comprehensive income to net income	(32)	(464)
Share of other comprehensive income of associates and joint ventures	(1,638)	(781)
Gains (Losses) reclassified from share of other comprehensive income of associates and joint ventures	—	7,642
Total items that will be reclassified to net income	(2,523)	(354)
Other comprehensive income (loss), net of tax	348	(2,212)
Comprehensive income (loss)	(114,309)	(46,794)

(For the three months ended September 30, 2019 and 2020) (Continued)

(Millions of yen)

	Three months ended September 30, 2019 (July 1 to September 30, 2019)	Three months ended September 30, 2020 (July 1 to September 30, 2020)
Comprehensive income (loss) attributable to:		
Owners of the Company	(114,019)	(46,093)
Non-controlling interests	(290)	(701)
Comprehensive income (loss)	(114,309)	(46,794)

(Millions of yen)

	Other components of equity						
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Foreign currency translation adjustments	Financial instruments measured at fair value through other comprehensive income	
As of January 1, 2020	205,924	224,379	413,603	(92,305)	(15,892)	9,669	
Comprehensive income							
Net loss	—	—	(71,471)	—	—	—	
Other comprehensive income (loss) net of tax	—	—	—	—	1,150	(12,228)	
Total comprehensive income (loss)	—	—	(71,471)	—	1,150	(12,228)	
Transactions with owners							
Contributions by and distributions to owners							
Cash dividends paid	—	—	(6,103)	—	—	—	
Reclassified from other components of equity to retained earnings	—	—	(1,625)	—	—	1,625	
Disposal of treasury stock with the exercise of share options	—	(5,916)	—	5,917	—	—	
Issuance of share acquisition rights	—	8,342	—	—	—	—	
Forfeiture of share acquisition rights	—	(166)	166	—	—	—	
Others	—	—	(720)	—	—	—	
Total contributions by and distributions to owners	—	2,260	(8,282)	5,917	—	1,625	
Changes in ownership interests in subsidiaries							
Issuance of stock	—	—	—	—	—	—	
Acquisition or Disposal of non-controlling interests	—	—	—	—	—	—	
Others	—	2	—	—	—	—	
Total changes in ownership interests in subsidiaries	—	2	—	—	—	—	
Total transactions with owners	—	2,262	(8,282)	5,917	—	1,625	
As of September 30, 2020	205,924	226,641	333,850	(86,388)	(14,742)	(934)	
	Other components of equity						
	Cash flow hedges	Remeasurement of insurance business policy reserves based on current market interest rates	Remeasurement of retirement benefit plans	Total other components of equity	Total equity attributable to owners of the Company	Non-controlling interests	Total equity
As of January 1, 2020	(1,219)	(7,559)	(928)	(15,929)	735,672	1,528	737,200
Comprehensive income							
Net loss	—	—	—	—	(71,471)	(935)	(72,406)
Other comprehensive income (loss) net of tax	2,229	1,630	9	(7,210)	(7,210)	244	(6,966)
Total comprehensive income (loss)	2,229	1,630	9	(7,210)	(78,681)	(691)	(79,372)
Transactions with owners							
Contributions by and distributions to owners							
Cash dividends paid	—	—	—	—	(6,103)	—	(6,103)
Reclassification from other components of equity to retained earnings	—	—	—	1,625	—	—	—
Disposal of treasury stock with the exercise of share options	—	—	—	—	1	—	1
Issuance of share acquisition rights	—	—	—	—	8,342	—	8,342
Forfeiture of share acquisition rights	—	—	—	—	—	—	—
Others	—	—	—	—	(720)	—	(720)
Total contributions by and distributions to owners	—	—	—	1,625	1,520	—	1,520
Changes in ownership interests in subsidiaries							
Issuance of stock	—	—	—	—	—	110	110
Acquisition or Disposal of non-controlling interests	—	—	—	—	—	18,840	18,840
Others	—	—	—	—	2	870	872
Total changes in ownership interests in subsidiaries	—	—	—	—	2	19,820	19,822
Total transactions with owners	—	—	—	1,625	1,522	19,820	21,342
As of September 30, 2020	1,010	(5,929)	(919)	(21,514)	658,513	20,657	679,170

(4) Consolidated Statements of Cash Flows (Summary)

(Millions of Yen)

	Nine months ended September 30, 2019 (January 1 to September 30, 2019)	Nine months ended September 30, 2020 (January 1 to September 30, 2020)
Cash flows from operating activities		
Loss before income tax	(2,059)	(119,599)
Depreciation and amortization	75,244	112,197
Other loss (Income)	27,694	42,932
Decrease (Increase) in operating receivables	(410)	24,740
Decrease (Increase) in loans for credit card business	(174,112)	43,754
Increase (Decrease) in deposits for banking business	456,391	968,928
Net decrease (Increase) in call loans for banking business	(15,000)	5,000
Decrease (Increase) in loans for banking business	(121,915)	(111,752)
Increase (Decrease) in operating payables	(18,736)	(74,934)
Decrease (Increase) in financial assets for securities business	(23,649)	(410,307)
Increase (Decrease) in financial liabilities for securities business	(13,209)	463,678
Others	(58,513)	(70,910)
Income tax paid	(25,934)	(25,618)
Net cash flows from (used in) operating activities	105,792	848,109
Cash flows from investing activities		
Increase in time deposits	(8,160)	(5,903)
Decrease in time deposits	8,843	8,119
Purchase of property, plant and equipment	(82,708)	(189,568)
Purchase of intangible assets	(57,881)	(72,764)
Acquisition of subsidiaries	(8,617)	(20,106)
Proceeds from sales of subsidiaries	—	62,599
Acquisition of investments in associates and joint ventures	(9,073)	(15,119)
Purchase of investment securities for banking business	(237,538)	(324,375)
Proceeds from sales and redemption of investment securities for banking business	214,084	361,595
Purchase of investment securities for insurance business	(111,193)	(63,796)
Proceeds from sales and redemption of investment securities for insurance business	106,476	51,897
Purchase of investment securities	(23,721)	(6,728)
Proceeds from sales and redemption of investment securities	13,339	32,017
Proceeds from sales and redemption of other financial assets	763	13,610
Other payments	(17,734)	(11,152)
Other proceeds	8,624	32,425
Net cash flows from (used in) investing activities	(204,496)	(147,249)
Cash flows from financing activities		
Net increase (decrease) in short-term debt	95,045	193,425
Net increase (decrease) in commercial papers	52,500	163,500
Proceeds from long-term debt	246,950	354,167
Repayment of long-term debt	(194,036)	(260,802)
Proceeds from issuance of bonds	79,480	—
Redemption of bonds	(20,000)	(40,000)
Repayment of leases	(11,622)	(24,712)
Cash dividends paid	(6,113)	(6,103)
Others	(3,503)	21,380
Net cash flows from (used in) financing activities	238,701	400,855
Effect of change in exchange rates on cash and cash equivalents	(168)	(3,087)
Net increase (decrease) in cash and cash equivalents	139,829	1,098,628
Cash and cash equivalents at the beginning of the period	990,242	1,478,557
Cash and cash equivalents at the end of the period	1,130,071	2,577,185

(5) Assumptions for going concern for the nine months ended September 30, 2020

No items to report

(6) Notes to the summary of consolidated financial statements for the nine months ended September 30, 2020

(Basis of presentation)

The Rakuten Group's summary of consolidated financial statements for the nine months ended September 30, 2020 meets the requirements set out under Article 1-2 of the Rules on Terminology, Formats and Compilation Methods of Quarterly Consolidated Financial Statements (Cabinet Office Ordinance No. 64 of 2007; hereinafter referred to as the "Rules on Quarterly Consolidated Financial Statements") under which the Rakuten Group is qualified as a "Specified Company under the Designated International Accounting Standards" and duly prepares such summary in accordance with IAS 34 "Interim Financial Reporting" under the provision of Article 93 of the Rules on Quarterly Consolidated Financial Statements. As this summary does not contain all the information required in annual consolidated statements, it is advised to be used in combination with the consolidated financial statements for the fiscal year ended December 31, 2019.

(Significant changes in the scope of consolidation and the scope of equity method application)

Except for the following, there were no significant changes neither in the scope of consolidation nor in the scope of equity method with respect to the summary of consolidated financial statements for the nine months ended September 30, 2020, as compared with the consolidated financial statements for the fiscal year ended December 31, 2019.

Rakuten International Commercial Bank Co., Ltd., which was jointly established with an non-group company, IBF Financial Holdings Co., Ltd., is included in the scope of consolidation during the three months ended June 30, 2020. In addition, OverDrive Holdings, Inc. is excluded from the scope of consolidation due to the transfer of its all shares.

Hiroshi Mikitani, Chairman and CEO of the Company, resigned as a director of Lyft, Inc. (hereinafter "Lyft") on August 31, 2020. Mikitani had served as a director of Lyft since the Company acquired an equity stake in Lyft in 2015. He decided to resign to focus on management of the Rakuten Group amid an uncertain external environment stemming from the COVID-19 pandemic.

Lyft shares held by the Company have been accounted for using the equity method since the second quarter, three months ended June 30, 2019. This is mainly because it was possible for the Company to exercise an important influence over Lyft through the shareholding and proactive commitments, among others, to the Lyft Board of Directors by having a director of the Rakuten Group appointed to the Lyft board. As the Company is no longer able to exert any significant influence following the retirement of the above director, we have decided to handle the Lyft shares as a financial asset measured at fair value through profit or loss in our accounting process, effective from the third quarter, three months ended September 30, 2020. For details, refer to (Share of losses of investments in associates and joint ventures).

(Significant accounting policies)

Significant accounting policies adopted by the Rakuten Group in this summary of consolidated financial statements for the nine months ended September 30, 2020 basically remain the same as those adopted in the consolidated financial statements for the previous fiscal year. In addition, income tax expenses for the nine months ended September 30, 2020 are calculated based upon an estimated annual effective tax rate.

(Significant accounting estimates and judgments)

Preparation of the summary of consolidated financial statements under IFRS for the nine months ended September 30, 2020 involves accounting estimates in respect of certain significant matters. In the process of adopting accounting policies, management of the Rakuten Group is required to make its own judgments. Resulting accounting estimates by their nature may be different from the actual outcome.

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

Estimates and judgments that have significant impact on the amounts in the Consolidated Financial Statements for the nine months ended September 30, 2020 remain the same as those for the previous fiscal year.

We face uncertainties stemming from deteriorating economic conditions caused by the COVID-19 pandemic, including sluggish consumer spending and increases in the unemployment rate and corporate bankruptcies. But their impact on the Company's management is limited, even in the actual business results since the first quarter when signs of worsening economic activity began to appear following the spread of the pandemic, as the Rakuten Group provides more than 70 services in a wide range of fields. Therefore, the pandemic has not resulted in changes in accounting estimates and judgments that would have an overall material impact on the Consolidated Financial Statements at this time, except for the accounting estimate for the allowance for doubtful accounts related to the credit card business loans as mentioned later.

Although there has been no significant deterioration in collection of loans provided as part of credit card business until the end of the third quarter, the accounting estimate of allowance for doubtful accounts has been adjusted as necessary to prepare for deteriorating credit risk and possible incurrence of losses in light of uncertainties based on the future spread of COVID-19.

If the COVID-19 expansion radically changes and uncertainty further increases, however, it could affect significant accounting estimates and judgments, such as the recoverability of goodwill, the recoverability of deferred tax assets, the impairment of debt instruments, and investments in affiliates.

(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 running various EC (e-commerce) sites including internet shopping mall Rakuten Ichiba, online cash-back sites, travel booking sites, portal sites and digital content sites, along with sales of advertising, etc. on these sites, and management of professional sports teams, etc.

The "FinTech" segment engages in businesses providing services over the internet related to banking and securities, credit cards, life insurance, general insurance and electronic money.

The "Mobile" segment comprises business operations engaged in communication and messaging services.

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

Operating segment information is reported in accordance with IFRS. Operating segment revenue and profit or loss amounts are those before intersegment eliminations, without consideration of consolidation adjustments, except for certain consolidated subsidiaries. The internal measures management relies upon in making decisions are Non-GAAP operating income; operating income in accordance with IFRS adjusted for unusual items and other adjustment items 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 stock-based compensation expenses and amortization of acquisition-related intangible assets.

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

Nine months ended September 30, 2019 (January 1 to September 30, 2019)

(Millions of Yen)

	Internet Services	FinTech	Mobile	Total
Segment Revenue	561,092	353,995	83,386	998,473
Segment Profit (Loss)	114,039	50,933	(33,472)	131,500

Nine months ended September 30, 2020 (January 1 to September 30, 2020)

(Millions of Yen)

	Internet Services	FinTech	Mobile	Total
Segment Revenue	607,110	425,727	128,583	1,161,420
Segment Profit (Loss)	(3,961)	63,391	(140,294)	(80,864)

Three months ended September 30, 2019 (July 1 to September 30, 2019)

(Millions of Yen)

	Internet Services	FinTech	Mobile	Total
Segment Revenue	201,936	121,443	30,906	354,285
Segment Profit (Loss)	5,172	16,542	(14,547)	7,167

Three months ended September 30, 2020 (July 1 to September 30, 2020)

(Millions of Yen)

	Internet Services	FinTech	Mobile	Total
Segment Revenue	214,284	143,965	45,700	403,949
Segment Profit (Loss)	5,013	22,309	(57,874)	(30,552)

Reconciliation from Segment Revenue to Consolidated Revenue

(Millions of Yen)

	Nine months ended September 30, 2019 (January 1 to September 30, 2019)	Nine months ended September 30, 2020 (January 1 to September 30, 2020)
Segment Revenue	998,473	1,161,420
Intercompany transactions, etc.	(92,692)	(121,230)
Consolidated Revenue	905,781	1,040,190

(Millions of Yen)

	Three months ended September 30, 2019 (July 1 to September 30, 2019)	Three months ended September 30, 2020 (July 1 to September 30, 2020)
Segment Revenue	354,285	403,949
Intercompany transactions, etc.	(35,148)	(42,527)
Consolidated Revenue	319,137	361,422

Reconciliation from Segment Profit (Loss) to Loss Before Income Tax

(Millions of Yen)

	Nine months ended September 30, 2019 (January 1 to September 30, 2019)	Nine months ended September 30, 2020 (January 1 to September 30, 2020)
Segment profit (loss)	131,500	(80,864)
Intercompany transactions, etc.	(4,164)	1,487
Non-GAAP operating income (loss)	127,336	(79,377)
Amortization of Intangible assets (PPA)	(6,855)	(7,910)
Share based compensation expenses	(7,514)	(8,036)
One-off items	–	34,804
Operating income (loss)	112,967	(60,519)
Financial income and expenses	(4,398)	(21,098)
Share of losses of investments in associates and joint ventures	(110,628)	(37,982)
Loss before income tax	(2,059)	(119,599)

One-off items listed for the nine months ended September 30, 2020, include a gain on sales of all shares in OverDrive Holdings, Inc. of ¥40,926 million and impairment of property, plant and equipment etc. due to the closure of a U.S. based business.

(Millions of Yen)

	Three months ended September 30, 2019 (July 1 to September 30, 2019)	Three months ended September 30, 2020 (July 1 to September 30, 2020)
Segment profit (loss)	7,167	(30,552)
Intercompany transactions, etc.	(959)	1,898
Non-GAAP operating income (loss)	6,208	(28,654)
Amortization of Intangible assets (PPA)	(2,229)	(2,607)
Share based compensation expenses	(2,907)	(2,414)
One-off items	–	(6,123)
Operating income (loss)	1,072	(39,798)
Financial income and expenses	(2,187)	(14,188)
Share of losses of investments in associates and joint ventures	(111,198)	(25,261)
Loss before income tax	(112,313)	(79,247)

One-off items listed for the three months ended September 30, 2020, include impairment of property, plant and equipment etc. due to the closure of a U.S. based business.

(Breakdown of Operating Expenses)

(Millions of Yen)

	Nine months ended September 30, 2019 (January 1 to September 30, 2019)	Nine months ended September 30, 2020 (January 1 to September 30, 2020)
Advertising and promotion expenditures	163,875	175,986
Employee benefits expenses	152,468	174,832
Depreciation and amortization	75,244	112,197
Communication and maintenance expenses	22,416	28,440
Consignment and subcontract expenses	57,013	71,287
Allowance for doubtful accounts charged to expenses	31,154	33,163
Cost of sales of merchandise and service revenue	244,938	373,037
Interest expense for finance business	5,732	6,792
Commission expense for finance business	9,151	10,903
Insurance claims and other payments, and provision of policy reserves and others for insurance business	23,181	43,087
Others	110,256	95,427
Total	895,428	1,125,151

(Millions of Yen)

	Three months ended September 30, 2019 (July 1 to September 30, 2019)	Three months ended September 30, 2020 (July 1 to September 30, 2020)
Advertising and promotion expenditures	54,894	64,501
Employee benefits expenses	52,253	59,176
Depreciation and amortization	26,281	42,108
Communication and maintenance expenses	7,707	10,992
Consignment and subcontract expenses	21,458	25,193
Allowance for doubtful accounts charged to expenses	11,365	9,374
Cost of sales of merchandise and service revenue	89,793	131,181
Interest expense for finance business	1,841	2,407
Commission expense for finance business	3,186	3,767
Insurance claims and other payments, and provision of policy reserves and others for insurance business	8,318	15,050
Others	38,663	30,592
Total	315,759	394,341

(Other Income)

(Millions of Yen)

	Nine months ended September 30, 2019 (January 1 to September 30, 2019)	Nine months ended September 30, 2020 (January 1 to September 30, 2020)
Foreign exchange gains	6,878	—
Gains on sales of subsidiaries (Note 1)	—	40,926
Valuation gains on investment securities (Note 2)	97,008	—
Others	3,071	4,668
Total	106,957	45,594

Note 1: A gain on sale of shares in OverDrive Holdings, Inc. of ¥40,926 million was recorded during the nine months ended September 30, 2020.

Note 2: During the nine months ended September 30, 2019, the Group recorded ¥86,593 million in valuation gains on securities related to investments in the ride-sharing business, and ¥7,760 million gains in the health care business.

(Millions of Yen)

	Three months ended September 30, 2019 (July 1 to September 30, 2019)	Three months ended September 30, 2020 (July 1 to September 30, 2020)
Foreign exchange gains	1,192	—
Others	932	683
Total	2,124	683

(Other Expenses)

(Millions of Yen)

	Nine months ended September 30, 2019 (January 1 to September 30, 2019)	Nine months ended September 30, 2020 (January 1 to September 30, 2020)
Valuation losses on investment securities	—	7,659
Loss on disposal of property, plant and equipment and intangible assets	758	885
Impairment loss	1,115	4,129
Others	2,470	8,479
Total	4,343	21,152

(Millions of Yen)

	Three months ended September 30, 2019 (July 1 to September 30, 2019)	Three months ended September 30, 2020 (July 1 to September 30, 2020)
Valuation losses on investment securities	2,481	8
Loss on disposal of property, plant and equipment and intangible assets	91	378
Impairment loss	252	2,850
Others	1,606	4,326
Total	4,430	7,562

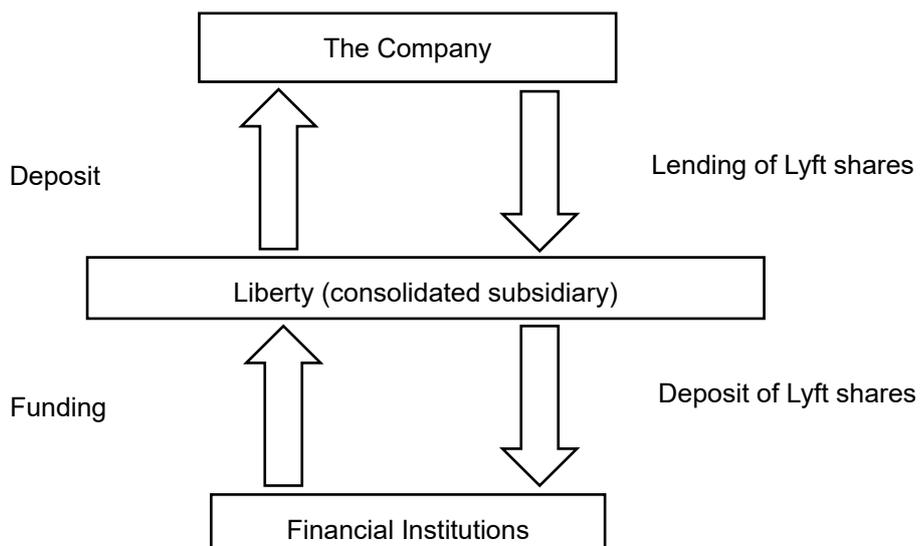
(Share of losses of investments in associates and joint ventures)

Lyft shares held by the Company have been previously accounted for using the equity method and will be accounted as a financial asset measured at fair value through profit or loss, effective from the third quarter, three months ended September 30, 2020. As a result, ¥25,017 million was recorded in the Consolidated Statements of Income for the nine months and the three months ended September 30, 2020, as share of losses of investments in associates and joint ventures, being the total loss on our Lyft shareholding from the beginning of the third quarter, three months ended September 30, 2020, to the date of the director's resignation, and a loss caused by the said change in accounting treatment for Lyft shares.

(Notes on significant subsequent events)

(1) Sale of Lyft shares by forward contract

On September 3, 2020, the Company concluded a basic contract with financial institutions through its consolidated subsidiary, Liberty Holdco Ltd. (hereinafter “Liberty”), for a forward contract concerning all of 31,395,679 Lyft shares held by the Company and obtained 714 million U.S. dollars in this financing executed on October 23, 2020. When the five-year contract matures, the deal is to be settled in either cash or Lyft shares. The Company has lent Liberty the equivalent of the Lyft shares and accepted relevant money from Liberty as a deposit receivable in this connection. In addition to the above financing, we have reduced risk associated with price fluctuations of share investment in Lyft through the forward contract.



(2) Issuance of unsecured subordinated bonds with deferred interest clause and early redemption clause (with subordination agreement)

The Company issued unsecured subordinated bonds with deferred interest clause and early redemption clause (with subordination agreement), with the date of payment set for November 4, 2020. Overview of this bond issue is as follows:

i) The 4th unsecured subordinated bonds with deferred interest clause and early redemption clause (with subordination agreement)

Date of payment	November 4, 2020
Total issue amount (yen)	¥50 billion
Issue price (yen)	¥100 for each bond worth ¥100
Coupon rate	1. 1.81% on the date of interest payment from the day after Nov. 4, 2020, to Nov. 4, 2025 2. Six-month Euroyen LIBOR + 2.10% on the date of interest payment from the day after Nov. 4, 2025, to Nov. 4, 2045 3. Six-month Euroyen LIBOR + 2.85% on the date of interest payment the day after Nov. 4, 2045, and thereafter
Date of interest payment	May 4 and November 4 every year The Company may defer at its discretion all or part of interest payment on the bond issue on a given date of interest payment.
Due date for redemption	November 4, 2055 The Company may redeem the bond before its maturity on the date of interest payment on and after November 4, 2025.
Use of funds	To be appropriated for investment in and lending to the Company's consolidated subsidiary Rakuten Mobile, Inc.
Collateral	No collateral or guarantee is attached to this bond issue and there is no particular asset set aside for the issue.
Special financial agreement	There is no special financial clause attached.
Priority order	Redemption of this bond is subordinated to general indebtedness and takes precedence over common stock.

ii) The 5th unsecured subordinated bonds with deferred interest clause and early redemption clause (with subordination agreement)

Date of payment	November 4, 2020
Total issue amount (yen)	¥20 billion
Issue price (yen)	¥100 for each bond worth ¥100
Coupon rate	1. 2.48% on the date of interest payment from the day after Nov. 4, 2020, to Nov. 4, 2027 2. Six-month Euroyen LIBOR + 2.75% on the date of interest payment from the day after Nov. 4, 2027, to Nov. 4, 2047 3. Six-month Euroyen LIBOR + 3.50% on the date of interest payment on the day after Nov. 4, 2047, and thereafter
Date of interest payment	May 4 and November 4 every year The Company may defer at its discretion all or part of interest payment on the bond issue on a given date of interest payment.
Due date for redemption	November 4, 2057 The Company may redeem the bond before its maturity on the date of interest payment on and after November 4, 2027.
Use of funds	To be appropriated for investment in and lending to the Company's consolidated subsidiary Rakuten Mobile, Inc.
Collateral	No collateral or guarantee is attached to this bond issue and there is no particular asset set aside for the issue.
Special financial agreement	There is no special financial clause attached.
Priority order	Redemption of this bond is subordinated to general indebtedness and takes precedence over common stock.

iii) The 6th unsecured subordinated bonds with deferred interest clause and early redemption clause (with subordination agreement)

Date of payment	November 4, 2020
Total issue amount (yen)	¥50 billion
Issue price (yen)	¥100 for each bond worth ¥100
Coupon rate	<ol style="list-style-type: none"> 1. 3.00% per year on the date of interest payment from the day after Nov. 4, 2020, to Nov. 4, 2030 2. Six-month Euroyen LIBOR + 3.20% on the date of interest payment from the day after Nov. 4, 2030, to Nov. 4, 2050 3. Six-month Euroyen LIBOR + 3.95% on the date of interest payment the day after Nov. 4, 2050, and thereafter
Date of interest payment	<p>May 4 and November 4 every year</p> <p>The Company may defer at its discretion all or part of interest payment on the bond issue on a given date of interest payment.</p>
Due date for redemption	<p>November 4, 2060</p> <p>The Company may redeem the bond before its maturity on the date of interest payment on and after November 4, 2030.</p>
Use of funds	To be appropriated for investment in and lending to the Company's consolidated subsidiary Rakuten Mobile, Inc.
Collateral	No collateral or guarantee is attached to this bond issue and there is no particular asset set aside for the issue.
Special financial agreement	There is no special financial clause attached.
Priority order	Redemption of this bond is subordinated to general indebtedness and takes precedence over common stock.