Annual Securities Report

(“*Yukashoken-Hokokusho*”)

Fiscal Year Ended December 31, 2022

Rakuten Group, Inc.

and its Subsidiaries

This document has been extracted and translated from the Japanese original report (Yukashoken-Hokokusho) issued on March 30, 2023 for reference purposes only. In the event of any discrepancy between this translated document and Japanese version, the Japanese version shall prevail.

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[Document Submitted]	Annual Securities Report (“Yukashoken Hokokusho”)
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[Submitted to]	Director, Kanto Local Finance Bureau
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[Accounting Period]	The 26th Fiscal Year (from January 1, 2022 to December 31, 2022)
[Company Name]	Rakuten Group Kabushiki-Kaisha
[Company Name in English]	Rakuten Group, Inc.
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[Place Where Available for Public Inspection]	Tokyo Stock Exchange, Inc. (2-1 Nihombashi Kabutocho, Chuo-ku, Tokyo)

Part I Information on the Company

I. Overview of the Company

1. Key Financial Data and Trends

(1) Consolidated Financial Data, etc.

(Millions of Yen, unless stated otherwise)

Fiscal year		22nd	23rd	24th	25th	26th
Year end		Dec. 2018	Dec. 2019	Dec. 2020	Dec. 2021	Dec. 2022
Revenue		1,101,480	1,263,932	1,455,538	1,681,757	1,927,878
Income (loss) before income tax		165,423	(44,558)	(151,016)	(212,630)	(407,894)
Net income (loss)		141,889	(33,068)	(115,838)	(135,826)	(375,911)
Comprehensive income		124,452	(42,818)	(132,401)	(73,041)	(305,976)
Equity attributable to owners of the Company		774,473	735,672	608,738	1,093,719	813,730
Total assets		7,345,002	9,165,697	12,524,438	16,831,221	20,437,298
Equity attributable to owners of the Company per share	Yen	572.83	542.43	446.78	691.47	511.63
Basic net income / earnings (losses) per share	Yen	105.43	(23.55)	(84.00)	(87.62)	(235.00)
Diluted net income / earnings (losses) per share	Yen	104.38	(23.55)	(84.00)	(87.62)	(235.16)
Equity attributable to owners of the Company ratio	(%)	10.5	8.0	4.9	6.5	4.0
Net income to equity attributable to owners of the Company ratio	(%)	19.5	(4.2)	(17.0)	(15.7)	(39.1)
Price earnings ratio	(Times)	7.0	—	—	—	—
Cash flows from operating activities		145,615	318,320	1,041,391	582,707	(257,947)
Cash flows from investing activities		(67,569)	(286,290)	(303,347)	(611,830)	(952,408)
Cash flows from financing activities		208,418	458,340	808,108	1,402,265	1,486,684
Cash and cash equivalents at end of the year		990,242	1,478,557	3,021,306	4,410,301	4,694,360
Employees	(Persons)	17,214	20,053	23,841	28,261	32,079

(Notes) 1. Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards (hereinafter referred to as the “IFRS”).

2. Average number of shares during the fiscal year is calculated on a daily basis.
3. Price earnings ratio is not disclosed for the fiscal years ended December 31, 2019, 2020, 2021, and 2022, as a net loss is reported for each fiscal year.
4. Number of employees does not include those serving concurrently as employees and Directors, temporary staff and part-time employees.

(2) Financial Data, etc. of the Company submitting Annual Securities report

(Millions of Yen, unless stated otherwise)

Fiscal year		22nd JGAAP	23rd JGAAP	24th JGAAP	25th JGAAP	26th JGAAP
Year end		Dec. 2018	Dec. 2019	Dec. 2020	Dec. 2021	Dec. 2022
Net sales		431,904	541,755	657,434	783,268	749,420
Ordinary profit		18,142	19,406	29,825	22,662	113,477
Net profit (loss)		93,150	15,792	53,646	52,739	(87,211)
Common stock		205,924	205,924	205,924	289,673	294,061
Total number of shares issued	(Shares)	1,434,573,900	1,434,573,900	1,434,573,900	1,581,735,100	1,590,463,000
Net assets		665,977	507,501	505,614	803,192	782,261
Total assets		1,799,645	2,017,118	2,373,188	3,158,305	3,705,384
Net assets per share	Yen	480.53	358.18	352.14	489.68	471.07
Dividend per share	Yen	4.50	4.50	4.50	4.50	4.50
(Interim dividend per share)	Yen	(－)	(－)	(－)	(－)	(－)
Basic earnings (loss) per share	Yen	69.02	11.66	39.46	34.52	(54.96)
Diluted earnings per share	Yen	68.33	11.46	38.61	33.76	－
Equity ratio	(%)	36.1	24.1	20.2	24.5	20.2
Return on equity	(%)	15.5	2.8	11.1	8.4	(11.4)
Price earnings ratio	(Times)	10.7	80.2	25.2	33.4	－
Dividend payout ratio	(%)	6.5	38.6	11.4	13.0	－
Number of employees	(Persons)	6,528	7,288	7,390	7,744	8,409
Total shareholder return	(%)	71.7	91.4	97.6	113.5	59.9
(Comparison index: TOPIX total return index)	(%)	[84.0]	[99.2]	[106.6]	[120.2]	[117.2]
Highest share price	(Yen)	1,045	1,313	1,259	1,545	1,220
Lowest share price	(Yen)	700	710	636	957	576

(Notes)
1. Average number of shares during the year is calculated on a daily basis.
2. Diluted earnings per share is not stated for the fiscal year ended December 31, 2022, as a net loss per share was recorded although residual shares exist.
3. Price earnings ratio and dividend ratio are not disclosed for the fiscal year ended December 31, 2022, as a net loss per share was recorded.
4. Number of employees does not include those serving concurrently as employees and Directors, employees seconded to other group companies, temporary staff and part-time employees.
5. The highest and lowest share prices refer to those of the First Section of the Tokyo Stock Exchange prior to April 3, 2022, and those of the Prime Market section of the Tokyo Stock Exchange subsequent to April 4, 2022.
6. The “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and the “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 26, 2021) have been applied from the beginning of the fiscal year ended December 31, 2022. Relevant key financial data, etc. for the fiscal year ended December 31, 2022 are figures after the retrospective application of said accounting standards.

2. Corporate History

Period		Overview
1997	Feb	MDM Co., Ltd. is founded to develop an online commerce server and operate internet shopping mall, “Rakuten Ichiba”, with capital of ¥10 million at 1-6-7 Atago, Minato-ku, Tokyo.
	May	Internet shopping mall, “Rakuten Ichiba” commences operations.
1998	Aug	Head office is transferred to 2-8-16 Yutenji, Meguro-ku, Tokyo.
1999	Jun	MDM Co., Ltd. is renamed as Rakuten, Inc.
2000	Apr	Listed on the Japan Securities Dealers Association.
	May	Head office is transferred to 2-6-20 Nakameguro, Meguro-ku, Tokyo.
2001	Mar	Commencement of “Rakuten Travel” services.
2002	Nov	Introduction of “Rakuten Super Points (currently Rakuten Points)” program.
2003	Sep	MyTrip.net, an accommodation booking site operator, is consolidated as a subsidiary.
	Oct	Head office is transferred to 6-10-1 Roppongi, Minato-ku, Tokyo.
	Nov	DLJdirect SFG Securities (currently Rakuten Securities, Inc.), is consolidated as a subsidiary.
2004	Sep	Aozora Card Co., Ltd. (currently Rakuten Card Co., Ltd.), is consolidated as a subsidiary.
	Nov	Nippon Professional Baseball (currently Nippon Professional Baseball Organization) approves new entry of Tohoku Rakuten Golden Eagles.
	Dec	Listed on the Jasdaq Securities Exchange Inc. (currently Tokyo Securities Exchange JASDAQ (standard)).
2005	Sep	LinkShare Corporation (currently RAKUTEN MARKETING LLC) is consolidated as a subsidiary.
2007	Aug	Fusion Communications (currently Rakuten Communications Corp.), which operates IP telephony business, is consolidated as a subsidiary.
2008	Apr	Head office is transferred to 4-12-3 Higashishinagawa, Shinagawa-ku, Tokyo.
2009	Feb	eBank Corporation (currently Rakuten Bank, Ltd.) is consolidated as a subsidiary.
2010	Jan	bitwallet, Inc., (currently Rakuten Edy, Inc.) is consolidated as a subsidiary.
	Jul	PRICEMINISTER S.A. (currently RAKUTEN FRANCE S.A.S.) is consolidated as a subsidiary.
2012	Jan	Kobo Inc. (currently Rakuten Kobo Inc.), which offers e-book services worldwide, is consolidated as a subsidiary.
	Jun	Wuaki. TV, S.L. (currently Rakuten TV Europe, S.L.U.), a provider of video streaming services in Spain, is consolidated as a subsidiary.
	Oct	AIRIO Life Insurance Co., Ltd. (currently Rakuten Life Insurance Co., Ltd.), which used to be an associate accounted for using equity method, is consolidated as a subsidiary.
2013	Sep	Viki, Inc., which provides video streaming services worldwide, is consolidated as a subsidiary.

2013	Nov	Tohoku Rakuten Golden Eagles win their first Nippon Series championship.
	Dec	Changes listing stock market to the First Section of the Tokyo Stock Exchange.
2014	Mar	Viber Media Ltd. (currently Viber Media S.a.r.l.), which operates mobile messaging and VoIP services worldwide, is consolidated as a subsidiary.
	Oct	Ebates Inc., which operates a leading membership-based online cash-back site in the U.S., is consolidated as a subsidiary.
	Oct	Fully enters into the mobile phone business and begins provision of services through ”Rakuten Mobile”.
2015	Aug	Head office is transferred to 1-14-1 Tamagawa, Setagaya-ku Tokyo.
2017	Jun	Establishes Rakuten LIFULL STAY, Inc. (currently Rakuten STAY, Inc.) and enters the vacation rental business.
	Jul	Establishes Rakuten Data Marketing, Inc. to provide digital marketing solutions.
2018	Mar	Asahi Fire & Marine Insurance Co., Ltd. (currently Rakuten General Insurance Co., Ltd.) is consolidated as a subsidiary.
2019	Aug	“Rakuten Wallet” launches crypto asset (virtual currency) spot transaction service.
	Oct	“Rakuten Mobile” launches mobile carrier service.
2020	Sep	“Rakuten Mobile” launches 5G mobile communications system service in its mobile carrier service.
2021	Apr	Rakuten, Inc. is renamed as Rakuten Group, Inc.
	Aug	Launches the telecommunication platform business organization, Rakuten Symphony.
2022	Jan	Establishes Rakuten Symphony, Inc., a wholly-owned subsidiary of Rakuten Mobile, Inc.
	Apr	Transfers from the First Section to the Prime Market of the Tokyo Stock Exchange following a market restructuring of the exchange.
	Oct	Establishes Rakuten Securities Holdings, Inc. and restructures the securities business.

3. Description of Business

As a global innovation company engaged in the three main activities of Internet Services, FinTech, and Mobile, the Rakuten Group (the Company and its Associates) is organized into three reportable segments: “Internet Services”, “FinTech”, and “Mobile”.

Discrete financial information for the operating results of these segments is available, and is regularly reviewed by the Board of Directors to determine the allocation of resources and assess performance.

The “Internet Services” segment comprises businesses providing various e-commerce sites including internet shopping mall “Rakuten Ichiba”, online cash-back sites, travel booking sites, portal sites, and digital content sites in North America, along with provision of messaging services, sales of advertising, etc. on these sites, and management of professional sports teams, etc.

The “FinTech” segment engages in businesses providing services related to credit cards, banking and securities over the Internet, crypto asset (virtual currency) spot transaction, life insurance, general insurance, and electronic money, etc.

The “Mobile” segment comprises businesses operations engaged in the provision of communication services and technologies, operation of electricity supply services, and operations including providing digital content sites, etc. in regions other than North America.

The following segments are classified in the same way as stated in the “Segment Information” note of the Consolidated Financial Statements.

Descriptions of major services provided by the Group Companies and the main entities involved in such services are as follows:

Internet Services

Significant services provided	Main entities involved in such services
Internet shopping mall service, “Rakuten Ichiba”	Rakuten Group, Inc.
Online book store, “Rakuten Books”	Rakuten Group, Inc.
Online golf course reservation service, “Rakuten GORA”	Rakuten Group, Inc.
A comprehensive internet travel site, “Rakuten Travel”	Rakuten Group, Inc.
Online sales of medical supplies and daily necessities, “Rakuten 24”, etc.	Rakuten Group, Inc.
Online fashion store, “Rakuten Fashion”	Rakuten Group, Inc.
Flea market app, “Rakuma”	Rakuten Group, Inc.
Online cash- back service	Ebates Inc.
E-book services	Rakuten Kobo Inc.
Mobile messaging and VoIP services	Viber Media S.a.r.l.

FinTech

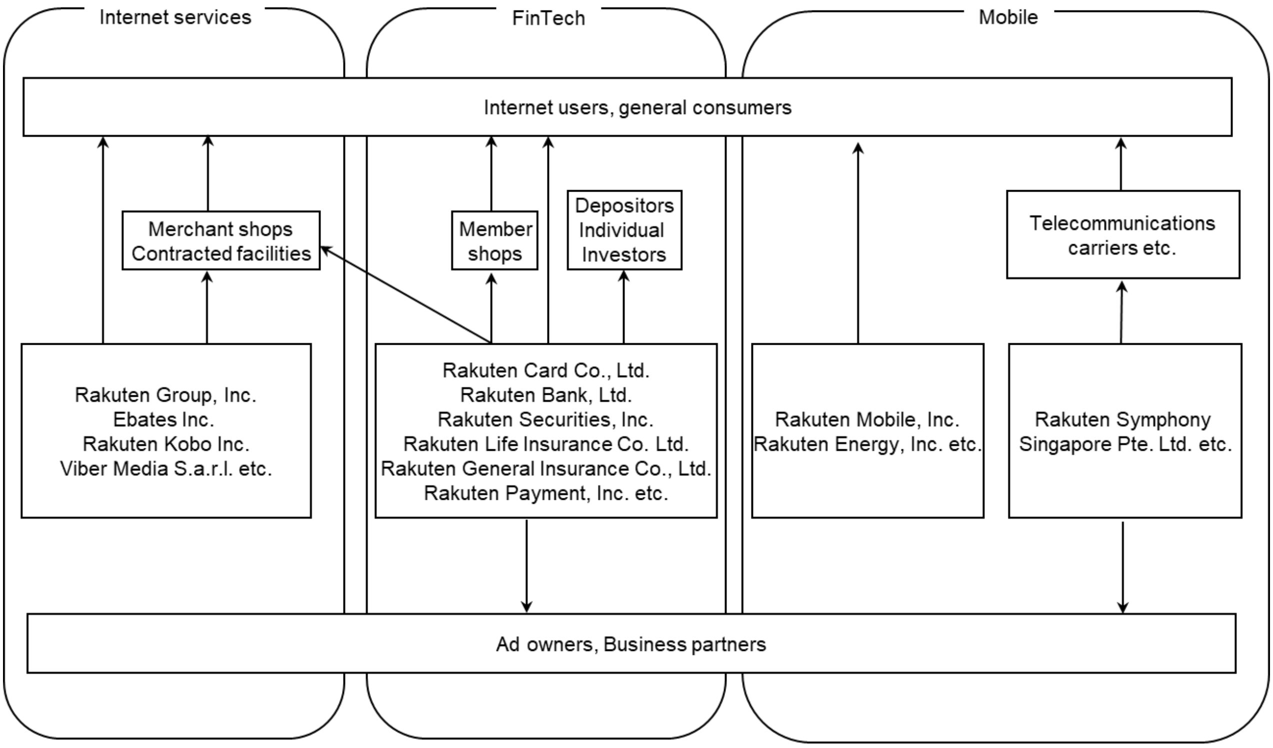
Significant services provided	Main entities involved in such services
Issuance of credit card, “Rakuten Card”, and provision of related services	Rakuten Card Co., Ltd.
Internet banking service	Rakuten Bank, Ltd.
Online securities trading service	Rakuten Securities, Inc.
Life insurance business	Rakuten Life Insurance Co., Ltd.
General insurance business	Rakuten General Insurance Co., Ltd.
Payment services business	Rakuten Payment, Inc.

Mobile

Significant services provided	Main entities involved in such services
Mobile communication services	Rakuten Mobile, Inc.
Optical broadband line services, “Rakuten Hikari”	Rakuten Mobile, Inc.
Power supply services, “Rakuten Denki”	Rakuten Energy, Inc.
Development and provision of Open RAN-based communication infrastructure platforms, services, etc.	Rakuten Symphony Singapore Pte. Ltd.

[Business Organization Chart]

The Group Companies' businesses described above can be illustrated in the following business organization chart.



4. Information on Subsidiaries and Associates

Company name	Location	Paid in capital	Principal business	Ratio of voting rights holding (held)	Relationship	Note
Subsidiaries						
Ebates Inc.	U.S.	0.1 U.S. dollar	Internet Services	100.0 (100.0)		
Rakuten Kobo Inc.	Canada	920 million Canadian dollars	Internet Services	100.0 (100.0)		(Note) 5
Viber Media S.a.r.l.	Luxembourg	217 thousand U.S. dollars	Internet Services	100.0		
Rakuten Card Co., Ltd.	Minato-ku, Tokyo	19,324 million yen	FinTech	100.0	Involving interlocking directorates	(Note) 6, 7
Rakuten Bank, Ltd.	Minato-ku, Tokyo	25,954 million yen	FinTech	100.0	Involving interlocking directorates	
Rakuten Securities, Inc.	Minato-ku, Tokyo	19,496 million yen	FinTech	80.0 (80.0)		
Rakuten Life Insurance Co., Ltd.	Minato-ku, Tokyo	7,500 million yen	FinTech	100.0 (100.0)	Involving interlocking directorates	
Rakuten General Insurance Co., Ltd.	Minato-ku, Tokyo	20,153 million yen	FinTech	100.0 (100.0)	Involving interlocking directorates	
Rakuten Payment, Inc.	Minato-ku, Tokyo	100 million yen	FinTech	100.0 (5.0)	Involving interlocking directorates	
Rakuten Mobile, Inc.	Setagaya-ku, Tokyo	100 million yen	Mobile	100.0	Involving provision of loans Involving interlocking directorates	(Note) 8
Rakuten Energy, Inc.	Setagaya-ku, Tokyo	31 million yen	Mobile	100.0	Involving provision of loans	
Rakuten Symphony Singapore Pte. Ltd.	Singapore	353 million Singapore dollars	Mobile	100.0 (100.0)		
Associate Accounted for Using Equity Method						
Seiyu Holdings Co., Ltd.	Kita-ku, Tokyo	25 million yen	Internet Services	20.0 (20.0)		

(Notes) 1. The principal business states names of business segments in the segment information.
2. There are 196 consolidated subsidiaries other than those stated above.
3. There are 61 associates accounted for using equity method other than those stated above.
4. Figures in brackets represent the percentage of indirect holdings included in Ratio of voting rights holding.
5. This company is a specified subsidiary.
6. This company files an Annual Securities Report.
7. Although revenue from Rakuten Card Co., Ltd. (excluding internal revenue recorded among consolidated companies) accounts for more than 10% in consolidated revenue, information on major income (loss) is omitted since this subsidiary files an Annual Securities Report.
8. The following measures have been taken to procure funds through securitization of telecommunication fee receivables held by Rakuten Mobile, Inc.

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

5. Employees

(1) Consolidated Companies

As of December 31, 2022

Name of business segments	Number of employees (Persons)
Internet Services	10,232
FinTech	5,517
Mobile	11,146
Company-wide (common)	5,184
Total	32,079

(Notes) 1. The number of employees represents the number of persons engaged, excluding those serving concurrently as employees and Directors, temporary staff and part-time employees.
2. The number of company-wide (common) represents the number of those employees of the development and administrative departments that cannot be classified in a specific segment.

(2) Company filing Financial Reports

As of December 31, 2022

Number of employees (Persons)	Average age (Years Old)	Average length of service (Years)	Average annual salary (Yen)
8,409	34.4	4.7	7,970,761

Name of business segments	Number of employees
Internet Services	5,047
FinTech	1
Mobile	433
Company-wide (common)	2,928
Total	8,409

(Notes) 1. The number of employees represents the number of persons engaged, excluding those serving concurrently as employees and Directors, employees seconded to other companies, temporary staff and part-time employees.
2. The average annual salary includes bonus and extra wage.
3. The number of company-wide (common) represents the number of those employees of the development and administrative departments that cannot be classified in a specific segment.

(3) Status of Labor Union

Although no labor union is formed in the Company, there are labor unions in certain subsidiaries. The relationship between labor and management is favorable and there are no special matters to be noted.

II. Business Overview

1. Management Policy, Management Environment and Challenges

(1) Basic management policy

Our corporate mission is based on the empowerment of individuals and society through innovation and entrepreneurship. We contribute to social innovation and enrichment by boosting the growth of as many people as possible, while providing services that ensure a high standard of satisfaction for both users and partner enterprises. We aim to maximize the corporate value and shareholder value of the Group with the vision of continuing to be a Global Innovation Company.

(2) Targeted management indicators

The Rakuten Group aims to enhance its growth potential and profitability by focusing on Key Performance Indicators (KPIs), which serve as major management indicators. They include company-wide revenue and revenue by business, Non-GAAP operating income, gross merchandise sales (transaction volume of merchandise and services), the number of membership and cross-use rate.

(3) Medium to long-term management strategies

1) Management environment

The development and spread of the internet and other information and communications technology (ICT) has brought a new economy and society called the “Digital Economy”. The government of Japan has advanced “Society 5.0”, a concept of society positioned as the next stage of evolution. In “Society 5.0”, new technologies such as IoT, robots, Artificial Intelligence (AI), and big data, which affect the very shape of society, will be used in every industry and throughout civil life. It is expected to contribute to economic development and the solving of social issues. We believe that society has a need for companies that use these cutting-edge technologies to bring about innovation.

According to a study by the Ministry of Economy, Trade and Industry, the Japanese business-to-consumer e-commerce market in 2021 reached ¥20.7 trillion. Even after the global COVID-19 pandemic has subsided, the use of e-commerce is becoming well established among consumers. As such, e-commerce related product sales reached 8.78% of the business-to-consumer market, and e-commerce in commercial transactions continues to advance. Furthermore, since this ratio in Japan is still low compared to that in other countries, we believe that there is still considerable room for expansion of the e-commerce business promoted by the Group.

In cashless payments, the “Cashless Vision” developed by the Ministry of Economy, Trade and Industry in April 2018 sets a goal to increase the ratio of cashless payments to 40% by 2025, and then to 80% in the future, the highest level in the world. The scale of cashless payments is forecast to grow further through the use of various payment methods, including credit card payments and QR code/barcode payments.

In mobile communications, with the advancement of networks, the spread of smartphones, as well as the rapid expansion of the content and application market for end users including social media, games, video and music distribution, maps, search, etc., the scenes for use of mobile terminals are significantly expanding. According to a report from the Ministry of Internal Affairs and Communications, the number of mobile phone subscribers in Japan as of June 30, 2022 has reached 203.34 million, and the mobile communications market in Japan continues to grow.

The management environment surrounding the Rakuten Group is constantly changing with the acceleration of digital transformation. The Rakuten Group must flexibly respond to these changes through constant technical innovation and optimization of its business portfolio.

(Impact of infectious diseases such as COVID-19)

While the impact of infectious diseases such as COVID-19 has been mitigated through vaccines and infection control measures, we still consider them to be a serious risk, as they may affect the business activities, financial performance, and financial position of the Group. The Group will pay close attention to changes in people's behavior due to pandemic trends of infectious diseases such as COVID-19, and the accompanying impact on economic activities, and we will continue to provide services while striving to implement control measures so users can enjoy our services with peace of mind.

2) Management strategies

The Rakuten Group's basic business strategy is to build and expand a business model based on the "Rakuten Ecosystem", which provides various services to users, especially the Rakuten Group members. By expanding the "Rakuten Ecosystem" through business development that brings together the membership, data, and brand of the Rakuten Group, we aim to generate synergistic benefits that maximize the lifetime value of each member and group revenues, while minimizing customer acquisition costs. We will achieve this by creating an environment in which members worldwide can seamlessly switch between multiple services including e-commerce, FinTech, digital content and our mobile carrier business.

In addition, the Rakuten Group is taking the initiative to reinforce corporate governance by thoroughly enforcing compliance and information security management. We recognize compliance with laws, regulations and social norms, prohibition of corruption and bribery, promotion of fair and impartial transactions, consideration for the environment, etc., as our highest priorities. Specifically, we have established the Rakuten Group Sustainable Procurement Code of Conduct for Suppliers, and are working to build and strengthen favorable relationships with clients, business partners, subcontractors, etc. based on fair, impartial, and highly transparent transactions. In addition, we will also contribute to the formation of a society that brings out the potential of every individual by valuing diversity and continuously making efforts to develop human resources.

The importance of initiatives toward sustainability is growing worldwide. The Group will focus on the international initiative RE100, which stands for "Renewable Electricity 100%". Members of this initiative commits to converting to 100% renewable power in its business activities. We will strive to achieve carbon neutrality in fiscal year 2023 as a means to realize a green society.

Through these initiatives, the Rakuten Group intends to contribute to the revitalization of Japan and the countries and regions in which it operates, as well as the development of the Japanese and global economy, and continuing its role as a company that is trusted by its stakeholders.

(4) Priority challenges

As a company group that contributes to society by creating value through innovation and entrepreneurship, our challenges are to respond flexibly to changes in our business environment and to build a framework for continuous growth. Through long-term continuous growth, we aim to maximize corporate and shareholder value of the Rakuten Group and continue to be a Global Innovation Company that brings benefits to society.

1) Business strategy

The Rakuten Group aims to generate synergistic benefits that include the maximization of lifetime value of each member, minimization of customer acquisition cost, and maximization of Group revenue. We will achieve this by creating an environment in which members worldwide can continuously use multiple services in the “Rakuten Ecosystem”, at the core of which are membership, data, and brand. In addition, we are promoting the development and deployment of services using online and offline data and advanced technologies such as AI based on membership and common point programs.

In Internet services such as e-commerce and travel reservations, the Rakuten Group will continue to aim for further growth in gross merchandise sales and revenue by pursuing various initiatives, such as cultivating a loyal customer base, winning new customers, promoting cross-use of services, and further opening up the Rakuten Ecosystem with a view to expanding the e-commerce platform.

We are pursuing even greater growth of FinTech services in areas such as credit cards, banking, securities, insurance, and prepaid money services by generating synergistic benefits between businesses, promoting cross-use of services, and other measures. In cashless payments, cashless promotion measures were introduced by the Japanese government. Given this, the Rakuten Group is working to introduce its payment service in more locations, promote a full range of cashless payments including QR code/barcode payments, prepaid money, and points. Furthermore, we will continue to focus on enhancing the functions of payment apps which integrate these payment methods, in order to achieve the Rakuten Group’s vision for a comprehensive payment services platform.

In mobile, we are constructing the world’s first (Note) end-to-end fully virtualized cloud-native mobile network, and have achieved a population coverage rate of 98% as of December 31, 2022. Furthermore, we are installing indoor and outdoor base stations to improve network quality, and will provide a highly reliable communication service and work to expand our customer base. The importance of 5G as a communication network is expected to grow as an infrastructure in line with the development of IoT, the society/world in which everything is connected to the internet. 5G is expected to contribute to solving social issues, with the advantages it offers in terms of high speed, low latency, and multiple simultaneous connections. The Rakuten Group aims to establish 5G as a social infrastructure in the 2020s, to not only improve convenience for consumers, but also solve social issues and contribute to regional revitalization through the application of 5G in various fields and the creation of new businesses. With “Rakuten Symphony”, we aim to provide a cost-effective cloud platform for communication by consolidating products and services related to the cloud-native Open RAN infrastructure. As telecom operators are working to renovate their network equipment configurations, Rakuten Symphony is proposing open and fully virtualized architecture implemented by Rakuten Mobile to telecommunications companies around the world.

In addition to pursuing growth of individual businesses and maximizing cross-business synergies, we intend to expand the “Rakuten Ecosystem”, not only in Japan but globally, by establishing innovative marketing methods that utilize the Rakuten Group’s membership, big data and “Rakuten Points”, utilizing the advertising business that leverages Group synergies, creating a Global ID Platform that provides a single membership ID and loyalty program worldwide, and raising our brand value through integrating service brands and partnerships, among others. To do this, we must further enhance our global management, and we will work to review our business portfolio to optimize the allocation of management resources, and bolster our system for optimizing technological development on a global scale.

(Note) For a large-scale commercial mobile network (as of October 1, 2019). Research: Stella Associa

2) Management structure

The Rakuten Group's corporate mission is based on the empowerment of individuals and society through innovation and entrepreneurship. We strive for social innovation and enrichment by boosting the growth of as many people as possible, while providing services that ensure a high standard of satisfaction for both users and partner enterprises. In order to achieve this mission, the Group has been implementing various measures with rigorous corporate governance as one of our highest priorities.

The Company has adopted a company with an Audit & Supervisory Board structure, in which highly independent Audit & Supervisory Board Members provide auditing functions in order to improve the transparency of the Company's management and ensure its appropriateness, efficiency, fairness, and soundness. The Company has supervised management through an Audit & Supervisory Board, where a majority of the members are Outside Audit & Supervisory Board Members. Additionally, in order to separate the supervisory and executive roles of management, the Company has adopted an Executive Officer System by which the Board retains the responsibility for management decision-making and supervision, while Executive Officers are responsible for the executive functions.

The Company's Board of Directors, which includes Outside Directors who are highly independent experts from a variety of fields, supervises the execution of business from an objective perspective and engages in casual and multilateral discussions on management. Furthermore, the Company holds meetings, where discussions are held about Group management strategy, etc., separately from the meetings of the Board of Directors. Participants discuss matters from a medium to long-term perspective rather than confining themselves to short-term issues or items discussed at the meetings of the Board of Directors, thereby enhancing the effectiveness of corporate governance.

In addition, we have introduced an internal Company System to ensure agile business execution and clear accountability.

Through such efforts, the Rakuten Group will continue to build a management structure with more highly effective governance functions that enables swift management decisions.

2. Business Risk and Other Risk Factors

The Group Companies are engaged in a wide range of businesses both in Japan and overseas, and execution of these corporate activities is accompanied by various risks. Described below are the main aspects of the business activities and finances of the Group Companies that are recognized as potential risk factors or that may have an influence on decisions made by investors. However, not all risks that may arise in the Group Companies are covered. Having identified the probability, timing and frequency of these risks, the policy of the Group Companies' management is to take steps to prevent occurrence or to take appropriate action as a contingency. However, it is difficult to reasonably foresee the impact of such occurrence on the Group Companies' business activities, financial performance, financial position, and countermeasures the Group Companies might adopt. Therefore, the Group Companies' position is that decisions to invest in the Company's securities should be preceded by comprehensive and careful examination of relevant information, including information provided below and elsewhere.

Unless otherwise stated, all forward-looking statements herein are based on judgments by the Group Companies as of December 31, 2022. They are subject to uncertainty and could differ from actual results.

1 Approach of the Group Companies' Management to Risks

The Group Companies define risks as "uncertainty that may affect them in achieving their management goals". With the aim of increasing the probability of achieving their management goals, the Group Companies identify risks on a regular basis, evaluate their materiality by analyzing the degree of the impact on the future financial performance of the Group Companies as well as the probability of risk occurrence, and formulate and implement countermeasures in response to this evaluation.

2 Risk Management Systems of the Group Companies

The Group Companies have formulated Group Regulations on Risk Management to develop risk management systems for appropriate identification of risks, development and implementation of risk mitigation measures according to importance as well as for establishing a cycle of monitoring its result therein. The Group Risk Compliance Committee discusses the status of countermeasures for cross-group risks, which include important matters in risk management. Meetings of this committee are held four times a year, and the main agenda items of this committee are reported to management through important meeting bodies. Meanwhile, the status of dealing with particularly critical risks is reported to management at Board of Directors meetings and other meetings for consultation.

Furthermore, monthly meetings are held by the Rakuten Group Information Security & Privacy Committee to discuss the management of information and personal data, which is one of our material risks, and we have a system in place that is compliant with information security and privacy requirements. The main matters discussed by this committee are reported to management at the Corporate Management Meeting. We will remain committed to enhancing risk management systems, which contribute to management decision-making and business operation, while carrying on our current activities.

3 Risks Associated with Management Environment and Strategies

(1) Macro-economic Risks

The Group Companies are engaged in a wide range of businesses both in Japan and overseas. The Group's business results are affected by various factors such as overseas economic conditions, social conditions and geopolitical risks, as well as by Japan's economic trends. The Group Companies will carry on business expansion and other activities while closely watching the macroeconomic environment. However, the outlook for the Japanese and overseas economic environments will remain uncertain. Due to factors such as the global economic recession, social disturbance, as well as confrontations between nations, regional conflicts, and the use of force in the international community, restrictions on exports, imports, and foreign investment resulting from economic sanctions between nations, changes in various regulations, and changes in regulatory trends, the business activities of the Group Companies may be hindered, which may affect the stable supply of services and products, as well as the financial performance and financial position of the Group Companies.

As for the current situation in Ukraine, while there is an impact on sales activities due to the economic sanctions of each country, the ratio of sales related to Ukraine and Russia to the Group's consolidated revenue is insignificant. Therefore, the impact on the Group Companies' business activities, financial performance, and financial position is expected to be limited. In addition to ensuring the safety of our employees, the Rakuten Group is taking necessary measures against conceivable risks, which include supply chain disruptions, increased distribution costs, power procurement prices, etc., due to soaring crude oil prices, as well as cyberattacks. However, there is a high degree of uncertainty in the global society and economy due to the worsening of the situation in Ukraine, and it is difficult to fully predict the impact at this time. The Rakuten Group will closely monitor the situation and take timely and appropriate measures to reduce risks. However, if these risks exceed expectations, it may affect the business activities, financial performance, and financial position of the Group Companies.

(2) Impact of the COVID-19 Pandemic

While the impact of COVID-19 has been mitigated through vaccines and infection control measures, it may affect the business activities, financial performance, and financial position of the Group, and we consider it a serious risk.

In the fiscal year ended December 31, 2022, face-to-face services were recovering due to the easing of restrictions or requests for voluntary restrictions on going out, and restrictions on overseas travel to prevent the further spread of infection. As in the previous fiscal year, since economic and social digitalization has accelerated, there was an increasing trend in demand for online image provision services, internet banking services, and the travel sector, including Rakuten Travel.

Management also participates in COVID-19 control measures meetings that are held regularly, and they respond flexibly after sharing the infection status within the Group Companies and considering control measures.

The Group Companies will closely monitor changes in people’s behavior due to pandemic trends of infectious diseases such as COVID-19, and the accompanying impact on economic activities, and we will continue to provide services while striving to implement control measures so users can enjoy our services with peace of mind. However, if control measures fail to achieve anticipated results, or if a new variant strain becomes more virulent and socio-economic activities are severely restricted again, the business activities, financial performance, and financial position of the Group Companies may be affected.

(3) Competitive Environment

We consider ourselves to be in fierce competition with numerous rivals in all businesses operated by the Group Companies. Such competition is likely to intensify when we are confronted by new participants as rivals, including those from other sectors.

The Group Companies aim to expand their services by continuously enhancing their response to customer needs while closely watching movements of their competitors. However, if the failure to achieve anticipated results following this effort results in a loss of service competitiveness, this may affect the business activities, financial performance, and financial position of the Group Companies.

(4) Technological Changes in the Industry

Progress and changes in technology are pronounced in every business the Group Companies operate, and new services and goods are introduced with high frequency.

The Group Companies constantly devise and implement measures for maintaining our competitiveness through endeavors including research into the latest technological and market trends, verification tests with a view to launching new services with technological advantages, and collaboration with other companies. Should the Group Companies' response be slow for some reason, there is a risk that our services could be seen as obsolete and our competitiveness could deteriorate. Furthermore, even if we respond appropriately, we may incur increased expenses associated with upgrading existing systems and undertaking development of new systems. These market trends and our response capability may therefore have an impact on the business activities, financial performance, and financial position of the Group Companies. In addition, technology that damages the Group Companies' operations may be developed. If this technology becomes widespread, this may also have an impact on the business activities, financial performance, and financial position of the Group Companies.

(5) Risks Associated with Management Structure and Business Strategy

1) Risks Associated with Management Structure (Corporate Governance)

The Rakuten Group's corporate mission is based on the empowerment of individuals and society through innovation and entrepreneurship. We strive for social innovation and enrichment by boosting the growth of as many people as possible, while providing services that ensure a high standard of satisfaction for both users and partner enterprises. In order to achieve this mission, the Group has been implementing various measures with rigorous corporate governance as one of our highest priorities.

The Company has adopted a company with an Audit & Supervisory Board structure, in which highly independent Audit & Supervisory Board Members provide auditing functions in order to improve the transparency of the Company's management and ensure its appropriateness, efficiency, fairness, and soundness. The Company has supervised management through an Audit & Supervisory Board, where a majority of the members are Outside Audit & Supervisory Board Members. Additionally, in order to separate the supervisory and executive roles of management, the Company has adopted an Executive Officer System by which the Board retains responsibility for management decision-making and supervision, while Executive Officers are responsible for executive functions.

The Company's Board of Directors, which includes Outside Directors who are highly independent experts from a variety of fields, supervises the execution of business from an objective perspective and engages in casual and multilateral discussions on management. Furthermore, the Company holds meetings, where discussions are held about Group management strategy, separately from the meetings of the Board of Directors. Participants discuss matters from a medium to long-term perspective rather than confining themselves to short-term issues or items discussed at the meetings of the Board of Directors, thereby enhancing the effectiveness of corporate governance.

In addition, we have introduced an internal Company system to ensure agile business execution and clear accountability. However, if we fail to achieve anticipated results following the implementation of the aforementioned measures, including those involving management structure, and management decisions are not made in a timely and appropriate manner, or non-compliance arises, this may affect the business activities, financial performance, and financial position of the Group Companies.

2) Risks Associated with Business Strategy

The Rakuten Group's business strategy aims to generate synergistic benefits that include maximization of the lifetime value of each member, minimization of customer acquisition cost, and, furthermore, maximization of Group profits. We will achieve this by creating an environment in which members worldwide can continuously use multiple services in the “Rakuten Ecosystem”. At the core of this are membership, various data concerning service usage and the Rakuten brand. Under this business strategy, we are utilizing the Rakuten Group’s membership, big data and the reward program based on “Rakuten Points”, in addition to pursuing growth of individual businesses and maximizing cross-business synergies. Specifically, we pursue service enhancement in each business by capitalizing on online as well as offline data based on the membership IDs of more than 100 million users, along with the promotion of cross-border service usage between online and offline realms. However, if the failure to achieve anticipated results following the implementation of the aforementioned measures causes the total or partial suspension of the services marketed by the Group Companies, giving rise to a barrier to the cross-border usage, this may affect the business activities, financial performance and financial position of the Group Companies. Furthermore, if laws and regulations regarding our digital platform, methods of using membership data, and reward programs are revised in a way that is disadvantageous to the Group, this may affect the business activities, financial performance and financial position of the Group Companies.

3) Risks Relating to Business Expansion and Development

a) Investment and M&A

The Group Companies engage in merger and acquisition (M&A) activities and the establishment of joint ventures, both in Japan and overseas. Our aim is to move into overseas markets, gain new users, develop new services, expand our existing services and acquire related technologies. These activities are regarded as an important part of our management strategies.

When acquiring a company, the Group Companies seek to avoid risks as much as possible by conducting detailed due diligence concerning the financial position, contractual relationships, and other aspects of the potential acquisition. However, it is not always possible to carry out an extensive due diligence process because of circumstances that may surround individual acquisitions and time restrictions, and it is possible that contingent liabilities will be incurred or unrecognized liabilities will come to light after an acquisition. In addition, it is impossible to predict precisely how the characteristics of a newly created service will affect the business activities, financial performance, and financial condition of the Group Companies. It may also become impossible to proceed with the new service as anticipated due to changes in the business environment or other factors. In such cases, a greater-than-expected amount of time may be necessary for the recovery of the investment or it may not even be possible to recover the invested capital, or an impairment of goodwill may be required. As a result, the business activities, financial performance, and financial condition of the Group Companies may be adversely affected. Furthermore, it is also possible that the integration of information systems and standardization of internal control systems with those of an acquired company may not be carried out successfully or that the executives, employees, and customers of an acquired company will be lost after the acquisition. In such cases, the business activities, financial performance and financial condition of the Group Companies may be adversely affected.

Also, for engagements in joint ventures and business alliances, the Group Companies seek to avoid risks concerning operating partners as much as possible, through detailed investigations of their financial performance and condition, and in-depth prior discussion of future business plans and synergistic effects. However, if disagreements arise over the management policies of the two parties after the start of a service, there is a possibility that the anticipated synergistic effects will not be realized. In such cases, the business activities, financial performance, and financial condition of the Group Companies may be adversely affected, and a greater-than-budgeted amount of time may be necessary for the recovery of the investment or it may not even be possible to recover the invested capital.

In addition, the Group Companies engage in investment activities targeting various companies including investments in venture enterprises. If anticipated revenues from such investments are not realized due to changes in the business environment and underperformance, the probability of recovering the invested capital deteriorates, and a part or all of the investments may become losses, affecting the business activities, financial performance, and financial condition of the Group Companies.

b) Overseas Business Expansion

Global expansion is one of the Group Companies' key strategies, and we are dynamically extending our existing business model into other countries with an aim to increase revenue opportunities. For example, we are extending our various services including EC to many regions including the Americas, Europe, and Asia. In addition, the Group Companies are gradually expanding cross-border services that allow users in Japan and overseas to purchase products and services from each other. The Group Companies will continue to expand their overseas service and R&D sites. We will also work to improve and expand our international services while strengthening collaboration amongst services in different countries.

Meanwhile, development of global services may entail a variety of risks, including differences in languages, geographical factors, regulations including legal and taxation systems, and supervision by regulatory authorities including autonomous regulatory bodies, economic and political instability, communication environment, and differing commercial practices. There are further risks that competition with rival companies that are globally active will intensify, and that the regulations of foreign governments and international organizations will change without prior notification, and risks of various types of non-compliance may arise due to insufficient promotion of Group policies. Moreover, in international expansion of services, when setting up these services, the Group Companies are likely to incur costs including costs for setting up corporations in other countries, recruitment costs, system development costs, costs for building a system for proper management of local operations, and for existing services, recurring costs to adapt to revisions in laws and regulations. In addition, strategic changes in business models may require additional expenses, and group profits may come under pressure from these costs over time, and it will take time before new services start to generate stable sales.

For the purpose of responding to these risks, the Group Companies pay close attention to situations in each country and appropriately adapt to local laws and regulations, etc. while suitably establishing a compliance framework in each local group company to work towards legal compliance. In addition, when expanding services, the Group Companies rapidly launch new businesses and flexibly change business models mainly by way of continuous performance management using KPIs and the improved efficiency of revenue structures attained by utilizing the "Rakuten Ecosystem", while seeking to reduce risks that may put pressure on the Group Companies' revenue by applying cost controls in a timely and appropriate manner. However, if these risks become real, mainly as a consequence of amendments to regulations or systems that may impact business models or changes in the competitive market environment, there is a possibility that greater-than-expected expenses may be incurred for response or that business continuity may become difficult, thereby forcing the Group Companies to suspend services and withdraw businesses. In such cases, the business activities, financial performance, and financial condition of the Group Companies may be affected.

c) Expansion of Area of Service

The Group Companies provide services in a variety of businesses, primarily the internet sector where technologies and business models change rapidly. In providing these services, the Group Companies have entered into new areas in order to create new services and to construct business models in line with current trends. When the Group Companies launch a new service, it becomes exposed to risk factors specific to that activity, in addition to risking a considerable amount of upfront investments. It is also possible that the Group Companies will be affected by risk factors not listed in this section.

Further, the Group Companies may not be able to achieve results as initially expected, depending on the pace of expansion and the scale of growth of the newly entered market. In addition, the Group Companies may incur a loss due to the disposal and amortization of said business assets in cases such as the discontinuation or withdrawal of a service. When expanding the area of service, the Group Companies strive to reduce risks by taking timely and appropriate measures. However, if these risks become real, the business activities, financial performance and financial condition of the Group Companies may be adversely affected.

d) Risks Relating to Supply Chain

The Group Companies must procure and supply products in a timely manner. In the procurement and supply of products, there is the potential of loss of sales opportunities due to supply failures and delivery delays, as well as increased costs for recovery efforts, which may affect the Company's ability to secure revenue, in the event that production and logistics stagnate due to geopolitical risks, natural disasters, epidemics, global wars, civil wars, riots, terrorism, cyberattacks, strikes by port workers, transportation accidents, etc.

In addition, the Group Companies outsource to other companies the maintenance and acquisition of customers, construction and maintenance of networks, and incidental work thereof, either in whole or in part. For this reason, when selecting clients, business partners, and subcontractors, we evaluate and select them according to the Instructions for Purchasing Consignment Management in the Rakuten Group, and the purchasing regulations of each company that are based on these instructions. At the same time, through procurement surveys based on the Rakuten Group Sustainable Procurement Instruction, we strive to reduce transaction risks by building a PDCA cycle that includes risk assessment, client screening, identification of issues, and holding interviews.

We have also established the Rakuten Group Sustainable Procurement Code of Conduct for Suppliers, which sets specific action guidelines such as compliance with laws, regulations and social norms, prohibition of corruption and bribery, promotion of fair and impartial transactions, and consideration for the environment for clients, business partners, and subcontractors. Based on these, we are working to build and strengthen favorable relationships with clients, business partners, and subcontractors based on fair, impartial, and highly transparent transactions.

However, despite these measures, if there are intentional or negligent legal violations, misconduct, or human rights violations in the course of business between subcontractors (including officers, employees, and related parties) and the Group Companies, it may affect the business development of the Group Companies. Since subcontractors handle the services and products of the Group Companies, if the credibility or corporate image of a subcontractor deteriorates due to events such as those described above, it may affect the business activities, financial performance, and financial position of the Group Companies.

4 Business Segment-Specific Operation Risks

(1) Internet Services Segment

1) Marketplace Services

The fundamental format of internet shopping malls such as "Rakuten Ichiba", accommodation booking services such as Rakuten Travel, and online cash-back services such as Rakuten Rewards is to provide venues for trading.

The Group Companies are not parties to trading contracts, and the rules for these marketplaces stipulate that the Group Companies will incur no liability in the event of disputes between sellers, service providers and purchasers, and that disputes must be settled between the parties. However, to ensure a sound venue for trading through our marketplace services, the Group Companies voluntarily strive to eliminate counterfeit goods or other goods that infringe on rights. Specifically, they clarify rules through guidelines for marketplace products, carry out product screening in advance, conduct regular monitoring, and have set up contact points for the reporting of issues from outside the company. However, if users of our marketplace services engage in activities that defame third parties or infringe their rights, including their intellectual property rights and privacy rights, or if they engage in illegal activities, such as fraud, the resulting liabilities could affect not only the parties responsible for the actions that caused the problem, but could also affect the Group Companies as the venue provider. The brand image of the Group Companies could also be damaged.

In recent years, platform business, including marketplace services, have made it easy to achieve network effects and leverage economies of scale. It has been pointed out that this creates an environment conducive to incidents of unfair business practices, including abuses of dominant bargaining positions, and to other incidents that violate the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade. As previously stated, the Group Companies provide sellers, service providers and purchasers with sound and reliable venues for trading and strive to maintain healthy relationships between them. As indicated in 5. Other Risks Accompanying Business Operation, (3) Risks Pertaining to Regulatory Systems, etc., 1) Risks Pertaining to Laws and Regulations and Compliance, the Group Companies consider compliance with laws and regulations as an important corporate responsibility, have created a compliance management system, consult with lawyers and other experts as necessary, engage in discussions with supervisory agencies, and enforce strict legal and regulatory compliance. However, despite these efforts, the potential for violations of the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade due to differences between the views of the Japan Fair Trade Commission and Group Companies cannot be completely eliminated. If a cease and desist order, etc., is received from the Japan Fair Trade Commission as stipulated in the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade, not only could this prevent the implementation of planned measures, but it would also have the potential to damage the Group's social credibility and affect the business activities, financial performance, and financial position of the Group Companies.

The Group Companies strive to continue to provide a system that is convenient and reliable, and to provide marketplaces that are highly attractive to customers. If these efforts do not produce the results expected of them, the number of sellers and service providers could fall, and this may affect the Group Companies' business activities, financial performance, and financial position.

2) Accommodation Booking Services

Accommodation booking services such as Rakuten Travel are significantly affected by pandemics and natural disasters. During the fiscal year ended December 31, 2022, the entire travel sector was in a recovery trend. However, the future outlook of the COVID-19 pandemic remains uncertain, and there is a possibility that other factors, such as extreme weather or natural disasters, could cause a decline in travel demand. The Group Companies will keep a close eye on pandemic trends of infectious diseases such as COVID-19 and will coordinate closely with lodging facilities to prevent the spread of the disease. They will also prepare for foreseeable damage and work to minimize their impact on the Group Companies. However, despite these efforts, if travel demand falls for the reasons such as pandemic or natural disasters, or other problems arise, this may affect the business activities, financial performance, and financial position of the Group Companies.

3) Direct Selling Services

The Group Companies have service categories that involve the direct selling of goods and services to general consumers, such as Rakuten 24, Rakuten Books, and Rakuten Fashion. In these categories, the Group Companies are a party to sales contracts, and are therefore liable for the quality and content of goods and services. When selling goods or providing services, the Group Companies take all possible steps to ensure compliance with relevant laws and regulations. However, if a defective product is sold or a defective service is provided, the Group Companies could become subject to actions by supervisory agencies. The Group Companies could also incur costs resulting from product recalls, liability for damages or other consequences. There could also be damage to trust among customers, leading to a decline in sales. This may affect the business activities, financial performance, and financial position of the Group Companies. In addition, although Group Companies control the purchasing and inventory of some products in accordance with demand forecasts created using data, if the anticipated demand does not appear or if product prices considerably decline due to technological innovation or competing products, a write-off of products accounted for as inventory may need to be recorded in the Group Companies' financial accounts. This may affect the business activities, financial performance, and financial position of the Group Companies.

4) Logistics Business

The Group Companies are focused on the improvement of delivery and shipping quality through measures including an expansion of the logistics agency service for clients, in order to further enhance the satisfaction of users and clients, who are sellers or service providers, of services such as "Rakuten Ichiba".

In the logistics business, the Group Companies face the risk of distribution center operations being interrupted by system failures, accidents within distribution centers, the spread of infectious diseases including COVID-19 within the logistics network, or natural disasters. The Group Companies have implemented measures to prevent system outages, implemented permanent measures for addressing the root causes of outages, established health and safety committees for ensuring safe operations within warehouses and during delivery, and created a risk management system that is prepared to handle natural disasters. However, if these measures prove insufficient, it may affect the business activities, financial performance, and financial position of the Group Companies. The Group Companies utilize rental properties as facilities for expanding distribution centers and make capital investments for equipment inside warehouses based on orders anticipated in the future. In addition to that, such expenditure could possibly become a upfront investment since it takes a certain period of time to build such facilities and start operations. If procurement costs for fuel, materials, labor, etc. increase, or revenue from logistic agency service falls below the forecast due to failure to achieve the initially anticipated order volume, and we are unable to make up for the upfront investment, the business activities, financial performance, and financial position of the Group Companies could be adversely affected. Furthermore, the disposal or amortization of said business assets in the case of transfer or discontinuation of such facilities may affect the business activities, financial performance, and financial position of the Group Companies.

5) Advertising Business

Net sales in digital advertising-related business account for a certain percentage of overall Group sales. However, since the advertising market tends to be particularly susceptible to the impact of economic trends, budget allocation by advertisers may be lowered if the economy weakens, which could affect the business. In addition, the digital advertising field is particularly competitive due to the emergence of diverse advertising methods made possible through advances in technology allowing for numerous new entrants into the field.

Various laws and regulations, as well as privacy-related restrictions and changes may be applied to the technical methods such as those used by advertising distribution platforms, and these may result in a need to make changes to methods of delivering advertisement that were conventionally possible, as well as the need to engage in further technical development. With regard to the business environment, while the Group Companies are taking various measures in order to respond to this competition and change in the environment, including greater use of advertising on their own proprietary platforms and the development of technologies in the digital advertising field, if these measures are not sufficient, the Group Companies' services could lose their competitiveness and it may affect their business activities, financial performance, and financial position.

6) Content-Related Business

a) Digital Content Services

The Group Companies provide digital contents such as e-books, video streaming services and music streaming services in the Internet Services segment and the Mobile segment described below. Due to the diverse nature of digital contents, in addition to licensing fees for films, there is the possible requirement of an advance payment of a minimum guarantee amount to the licensors. Such prior activities and expenses may produce temporary content procurement-related costs, and if the revenue from the contents services falls below the costs of supply, or if the costs of acquiring usage rights exceed the forecast due to fluctuations in exchange rates when acquiring usage rights related to overseas contents, the revenue of this business segment may be adversely affected. When engaging in contract negotiations with licensers, etc., the Group Companies strive to use a sales proceed allocation model for licenser payments whenever possible, instead of minimum guarantee money. Furthermore, taking into consideration the voluntary suspension of film releases and events and the reduction in the scale of film releases and events in order to combat the spread of COVID-19, the Group Companies will continue to strive to secure revenue sources by holding digital content business-related events online in parallel to conventional offline events. At the same time, we will take preventive measures against system failures caused by increased traffic due to an increase in the number of online live viewers and heavy loads on servers. In addition, the Group Companies are using the “Rakuten Ecosystem” to engage in business that leverages synergy with the Group's mobile business through the easy access that the mobile handsets sold by Rakuten Mobile, Inc. provide to the digital content of the Group Companies, introduction of digital content services at sales counters, and implementation of various discount services. However, there is no guarantee that these measures will have the anticipated effects, and if they do not, this may affect the business activities, financial performance, and financial position of the Group Companies.

b) Messaging Services

Our subsidiary Viber Media S.a.r.l. and its subsidiaries provide mobile messaging and VoIP services that are widely deployed in Japan, as well as Europe and other regions overseas. They handle information such as communication contents in this service appropriately, in accordance with the laws and regulations regarding protection of personal information in Japan and other countries where they operate. However, as described in “5. Other Risks Accompanying Business Operation (1) Risks Pertaining to Information Security, (2) Risks Pertaining to Information Systems" described below, there is a possibility that the availability of information systems or the confidentiality and integrity of the information cannot be ensured due to malfunctions in systems that provide services, the impact of malware, or criminal acts such as unauthorized access by outside parties. As described in “3. Risks Associated with Management Environment and Strategies (1) Macro-economic Risks”, it is difficult to fully predict the impact of political risks in Ukraine and Russia manifesting, and there is the possibility of a decline in revenue and inability to secure employee safety. For the purpose of avoiding or lowering the occurrence of these risks, the Group Companies will strengthen monitoring systems and take a variety of technological and physical measures. Furthermore, we will continue to follow the political climate and observe the impact on employee safety and revenue with the establishment of a task force. However, if these measures prove insufficient, it may affect the business activities, financial performance, and financial position of the Group Companies.

(2) FinTech Segment

1) Risks Shared by FinTech Group Companies

a) Regulatory Requirements

Rakuten Card Co., Ltd., Rakuten Bank, Ltd., Rakuten Securities, Inc., Rakuten General Insurance Co., Ltd., Rakuten Life Insurance Co., Ltd., Rakuten Payment, Inc., Rakuten Edy, Inc. and other Group Companies that offer finance-related services (hereinafter “Group Financial Companies”) are subject to and comply with the provisions of laws covering various industries, laws and regulations relating to financing activities, as well as the guidelines of supervisory agencies, and the rules imposed by autonomous regulatory bodies, such as financial instruments exchanges and industry organizations. If in the future, with respect to the permissions required to provide services, the Group Financial Companies are subject to license revocation or other actions for any reason, or if they are requested to suspend business operations, it may affect the business activities, financial performance, and financial position of the Group Companies. Furthermore, if the establishment and amendment of laws and regulations makes it easier for other companies to enter the market, or if the Group Companies’ services become subject to stricter restrictions, the Group Financial Companies may need to incur unexpected additional costs or overhaul their business models in order to respond to intensified competition or stricter restrictions. If changes to or relaxation of laws and regulations have a favorable effect on the provision of said services, this could provide an additional boost to business operations, which could affect the business activities, financial performance, and financial position of the Group Companies.

In August 2021, the Financial Action Task Force (FATF) published the 4th Mutual Evaluation Report of Japan. The authorities in various countries, including the Japanese authorities, are strengthening measures based on requests from FATF and other organizations regarding anti-money laundering and counter-terrorist financing, and the Group is subject to various regulations when operating businesses in Japan and overseas. In order to comply with relevant laws, regulations, and rules, the Group has established rules regarding AML/CFT as the basic policy of the entire Group, and performs operations and management based on these rules.

However, if the Group fails to comply with relevant laws, regulations, and rules, or fails to adequately examine laws and regulations, there is a risk of administrative sanctions, penalties, or restrictions on operations, which could affect the business activities, financial performance, and financial position of the Group Companies.

The Group Financial Companies have built a Group governance framework that ensures the soundness and appropriateness of operations based on the guidelines of supervisory agencies, by establishing basic internal control policies, risk management rules, and other internal regulations, as well as establishing internal control systems by referring to the internal controls related to financial reporting under the Financial Instruments and Exchange Act. However, if there are any defects in the Group governance system, for any reason, and administrative sanctions are issued by a regulatory agency, this may affect the business activities, financial performance, and financial position of the Group Companies.

b) Market

The business operations of each of the Group Financial Companies are subject to risks involving fluctuations in the market value of assets and liabilities. The Group Financial Companies appropriately implement Asset and Liability Management (ALM), but if market trends or other factors result in large changes in interest rates, it may affect the business activities, financial performance, and financial position of the Group Companies.

The Group Financial Companies also possess loan claims for individuals and corporations, government bonds, corporate bonds and other bonds. If the economic conditions deteriorate and the credit situation of debtors or bond issuers deteriorates significantly, the credit status of the loan claims and held bonds could fall and default of the principal and interest could occur. Furthermore, the recording of allowance for the loan claims and falling market values for held bonds could adversely affect the business activities, financial performance, and financial position of the Group Companies. The derivative transactions the Group Companies enter to hedge market risks, such as interest rate swaps, currency swaps, foreign exchange forward contracts, and options, are exposed to the risk of counterparty risk (the risk of the counterparty declaring bankruptcy and being unable to pay as contractually stipulated). To counter these risks, the Group Financial Companies perform investigations as necessary of the credit situation of the loan claims and held bonds, as well as counterparties to derivative transactions, and strive to respond promptly. However, if the response is not sufficiently rapid and these risks eventuate, this may affect the business activities, financial performance, and financial position of the Group Companies.

For other market risks faced by all Group Companies, including the Group Financial Companies, please see “5. Other Risks Accompanying Business Operation (6) Risks Pertaining to Market Risks”.

2) Risks for Individual FinTech Group Companies

There are also risks specific to individual business operations by Group Financial Companies. Matters that are considered especially important for investors when making investment decisions are described below. These risks are not mutually independent. When a situation arises, it can result in the simultaneous manifestation of multiple risks.

a) Rakuten Card Co., Ltd.

Rakuten Card Co., Ltd. provides member shop contract services for credit card settlements, and interchange fees from member shops constitute the source of revenue in these services. It may experience a decline in profit ratio from interchange fees or an outflow of member shops due to intensifying competition. In addition, from the end of November 2022, international brands announced an interchange fee that forms part of the merchant fee. At present, the impact on Rakuten Card Co., Ltd. is expected to be minimal, but we will continue to closely monitor the situation. Rakuten Card Co., Ltd. will continue to reduce costs through improvement of business operation and work to develop services that meet customer needs. However, if these efforts do not produce the expected results, it may result in a decrease in the number of member shops or a deterioration in the profit margin of the commission business, which may affect the business activities, financial performance, and financial position of the Group Companies.

Deteriorating economic conditions could cause a decline in the profitability of underwritten guarantees due to an increase in personal bankruptcies and the number of heavily-indebted creditors, a downturn in consumer spending and demand for Rakuten Card Co., Ltd. services, and an increase in receivables for claim. To address these risks, Rakuten Card Co., Ltd. performs appropriate credit management, but if the deterioration of economic conditions exceeds our assumptions, it may affect the business activities, financial performance, and financial position of the Group Companies.

Furthermore, fraudulent use of credit cards is increasing every year due to the increase in transaction volume brought about by the growth of cashless payment methods including credit cards. Rakuten Card Co., Ltd. has strengthened its system to prevent fraudulent use by issuing new design cards with card information written on the back, as well as 24 hour monitoring. However, in the event of unauthorized use beyond expectations, it may have an affect on the financial performance and financial position.

b) Rakuten Bank, Ltd.

Rakuten Bank, Ltd., is subject to oversight by the Financial Services Agency in accordance with the Banking Law, the Financial Instruments and Exchange Act, and other relevant laws and regulations. It is required by laws and regulations to maintain a certain equity ratio and pays close attention to ensure that it maintains a sound financial position and its equity ratio does not fall below the minimum equity ratio. However, if a decline in its financial position causes its equity ratio to fall below the stipulated equity ratio, it could be subject to administrative sanctions by the Financial Services Agency, including the total or partial suspension of business activities. Furthermore, it engages in foreign exchange margin contracts as a registered financial institution, and engages in business operations while taking care to comply with the Financial Instruments and Exchange Act, other relevant laws and regulations, and the regulations of the Financial Futures Association of Japan, and to never engage in prohibited behavior. However, if these efforts and measures are insufficient, this could cause administrative sanctions, loss of trust among customers and affect the business activities, financial performance, and financial position of the Group Companies.

In addition, Rakuten Bank, Ltd., provides internet banking services, and customers are able to make withdrawals from ordinary deposit accounts, close time deposits, and transfer or remit funds to other financial institutions via the internet. A deterioration of the economic climate or unforeseeable circumstances that harm the reputation of Rakuten Bank, Ltd. or the Group Companies could cause deposit outflows to occur more rapidly than for other financial institutions. To address this risk, Rakuten Bank, Ltd., performs regular monitoring to prevent incidents from occurring and swiftly detect if incidents do occur, and conducts internal auditing as, internal control measures. However, if these measures fail to produce the anticipated benefits, the business activities, financial performance, and financial position of the Group Companies could be affected.

Rakuten Bank, Ltd., also secures appropriate revenue and manages marketing costs, but if the business climate becomes more competitive and this causes a decline in loan interest rates, an increase in deposit procurement costs, high marketing costs, or if the Bank of Japan unexpectedly changes its policy interest rate, it may affect the business activities, financial performance, and financial position of the Group Companies.

Rakuten Bank, Ltd. does not have its own ATM network, so if its relationship with the other financial institutions with which it has concluded ATM utilization agreements deteriorates, or if there is an outage in these services and related systems, this could adversely affect the business activities, financial performance, and financial position of the Group Companies.

c) Rakuten Securities, Inc. and Rakuten Wallet, Inc.

Rakuten Securities, Inc. is registered as a financial instruments business in accordance with the Financial Instruments and Exchange Act, and is subject to the provisions of the Financial Instruments and Exchange Act, its Enforcement Order, and other relevant laws and regulations. Rakuten Wallet, Inc. is registered as a crypto-asset exchange service provider under the Payment Services Act and as a financial instruments business in accordance with the Financial Instruments and Exchange Act, and is subject to the relevant laws and regulations, including the above acts and enforcement ordinances. Each company accordingly performs regular monitoring, implements internal control measures such as internal auditing, and complies with laws and regulations. In addition, it is required by laws and regulations to maintain a certain equity ratio and strives to maintain a sound financial position. However, if its efforts fail to produce the anticipated benefits and its equity ratio falls below the stipulated equity ratio, it could be subject to administrative sanctions by the Financial Services Agency, including the total or partial suspension of business activities.

In order to secure appropriate revenue, Rakuten Securities, Inc. and Rakuten Wallet, Inc. perform trend studies of competitors and strive to maintain their revenue level. However, if the competitive environment intensifies, it will be necessary for us to expand products and services that can serve as new sources of revenue. If these efforts do not produce the expected effects, it will be detrimental to the company’s profitability. In addition, if changes to the monetary policy of various countries trigger turmoil or stagnation of financial markets that cause deterioration of investor sentiment, the company’s commission earnings may decrease significantly, which may affect the business activities, financial performance, and financial position of the Group Companies.

d) Rakuten General Insurance Co., Ltd. and Rakuten Life Insurance Co., Ltd.

Rakuten General Insurance Co., Ltd. and Rakuten Life Insurance Co., Ltd. are subject to oversight by the Financial Services Agency in accordance with the Insurance Business Act and other relevant laws and regulations. The Insurance Business Act and other relevant laws and regulations, whose primary objective is the protection of policyholders, place restrictions on scopes of business and asset management methods and stipulate regulations concerning the accumulation of reserves and the maintaining of solvency margin ratios, etc. As an index to understand financial soundness more accurately, Rakuten General Insurance Co., Ltd. and Rakuten Life Insurance Co., Ltd. have introduced the Economic Solvency Ratio (ESR). Rakuten General Insurance Co., Ltd. and Rakuten Life Insurance Co., Ltd. have created internal regulations, etc., defined risk tolerance with regard to solvency margin ratios and the ESR, and carry out monitoring and management, establishing a system capable of responding to situations as necessary. However, if administrative sanctions are issued by the Financial Services Agency because major discrepancies occur in business operation or asset management assumptions for any reason, resulting in a failure to properly maintain such ratios, this may affect the business activities, financial performance, and financial position of the Group Companies.

Rakuten General Insurance Co., Ltd., sells insurance products such as automobile insurance and fire insurance. Rakuten Life Insurance Co., Ltd., sells insurance products such as term insurance and health insurance. Their primary sources of revenue are insurance premiums paid by policyholders and earnings from the management of assets using such revenue as a source of funds. They carry out various measures aimed at increasing product sales and strive to improve their policy renewal rates. However, if factors such as declines in the economic climate cause the number of in-force contracts to decrease dramatically due to a lower number of new contracts and an unexpected increase in cancellations, this may affect the business activities, financial performance, and financial position of the Group Companies. With regard to asset management, Rakuten General Insurance Co., Ltd. and Rakuten Life Insurance Co., Ltd. strive to manage risk appropriately by managing monetary limits for risks based on risk tolerance. However, if the amount of price fluctuation for owned foreign and/or domestic securities, etc., exceeds our assumptions, this may affect the business activities, financial performance, and financial position of the Group Companies.

In addition, Rakuten General Insurance Co., Ltd. and Rakuten Life Insurance Co., Ltd. utilize reinsurance and hold a catastrophe reserve, etc., in preparation for large-scale natural disasters or pandemics, but the business activities, financial performance, and financial position of the Group Companies may be affected if the frequency or scale of insurance claim payments exceeds forecasts.

e) Rakuten Payment, Inc. and Rakuten Edy, Inc.

Rakuten Payment, Inc. and Rakuten Edy, Inc. provide cashless payment services such as QR code payment, electronic money payment, and point payment. Rakuten Edy, Inc. is registered as an issuer of prepaid payment instruments and funds transfer service provider based on the Payment Services Act. They are subject to the relevant laws and regulations, including the above acts and enforcement ordinances. In response, each company implements regular monitoring for risk management, internal control initiatives including internal audits, and preservation of customer assets in accordance with details stipulated in laws and guidelines, and comply with laws and regulations. However, if they violate laws covering relevant industries for any reason, they could be subject to administrative sanctions by the Financial Services Agency, including the total or partial suspension of business activities, and this may affect the business activities, financial performance, and financial position of the Group Companies.

If the cashless payment service-related systems used by Rakuten Payment, Inc. and Rakuten Edy, Inc. suffer an outage or unauthorized access, it could harm the reputation of the company and the Group Companies and the trust placed in their security, and could lead to the withdrawal of users and business partners. In particular, since the spread of COVID-19, using cashless payments has gained recognition and frequent use in Japan, and has come to be acknowledged as part of the social infrastructure like credit cards, which commands even higher reliability. To prevent cashless payment system outages and unauthorized access, Rakuten Payment, Inc. and Rakuten Edy, Inc. strive to maintain system redundancies (creating backup systems) and enhance security, but if these measures fail to produce the anticipated benefits, the business activities, financial performance, and financial position of the Group Companies could be adversely affected.

(3) Mobile Segment

1) Mobile Business

a) Regulatory Requirements, etc.

The provision of the communication service by Rakuten Mobile, Inc. may be affected directly or indirectly by the revision or abolition of laws and regulations, security-related restrictions, business or investment licenses, etc., newly established policies, or by policy making, etc., relating to the telecommunications business in Japan and in countries in which Rakuten Mobile, Inc. plans to do business. Also, to ensure the efficient provision of telecommunications services, Rakuten Mobile, Inc. has concluded interconnection agreements providing for reciprocal connections between its telecommunications facilities and those of other telecommunications providers. Telecommunications carriers that own telecommunications facilities are, in principle, required to allow other providers to connect to those facilities. However, revisions to the Telecommunications Business Act, etc., could cause conditions to change in ways disadvantageous to this company, such as by the abolition or relaxation of this requirement, resulting in increased usage charges or interconnection charges.

The company collaborates with the Group Companies to keep close watch of trends in the revision and abolition of laws and regulations, or the establishment of new policies, etc., relating to the telecommunications businesses in Japan and in countries in which Rakuten Mobile, Inc. plans to do business. When appropriate, it consults in advance with lawyers, other outside experts, and authorities to acquire necessary information at an early stage and take appropriate measures such as promptly changing operation methods to conform to the relevant trends, and it monitors the implementation status of these measures. By implementing necessary measures in this way, it strives to reduce risk, but it is difficult to perfectly predict when said risks will manifest, and there is no guarantee that the risks can be completely avoided. Such revisions or abolitions of laws and regulations or establishment of new policies, etc. may restrict the provision of services by Rakuten Mobile, Inc. and may result in the incurring of unanticipated expenses. In addition, Rakuten Mobile, Inc. may be subject to administrative penalties, etc., from administrative authorities if it violates these laws and regulations, etc. In that case, the business activities, financial performance, and financial position of the Group Companies could be adversely affected through the decline of their credibility and restrictions on their business expansion.

As the business expands, the risk of legal violations and fraudulent acts, including those by clients, increases. In 2022, an internal investigation revealed that former employees of Rakuten Mobile, Inc. and multiple clients conspired for the past few years to earn a large amount of fraudulent profits by inflating expenses and making false reports to Rakuten Mobile, Inc. Rakuten Mobile, Inc. and the Group Companies are conducting internal investigations, strengthening the internal management system, developing and promulgating internal rules, which include matters concerning conflicts of interest, entertainment, and gifts, and implementing thorough education about compliance. In this way, the Group as a whole is working to prevent serious violations of laws and regulations, misconduct, and prevent recurrence of cases like this one. However, it is impossible to completely eliminate compliance-related risks, including those arising not only within Rakuten Mobile, Inc. and the Group Companies, but also from clients. If Rakuten Mobile, Inc. and the Group Companies cannot deal with these risks, then administrative sanctions from administrative authorities and the occurrence of financial loss and damage may affect the business activities, financial performance, and financial position of Rakuten Mobile, Inc. and the Group Companies.

b) Competition with Other Business Operators, Market and Business Environment

In this business market, price competition is arising with other Mobile Network Operators (MNO) and Mobile Virtual Network Operators (MVNO) who have solid customer bases. Furthermore, with the advancing homogenization of services provided by the business operators, the business environment is changing substantially, with the expansion of telecommunications operators providing services in business domains other than telecommunications for the purposes of securing new revenues. In this business environment, Rakuten Mobile, Inc. provides users with communication services that leverage the low-cost, high-speed communications environments it produces by using its unique, innovative technologies to create virtual wireless networks. It uses the “Rakuten Ecosystem” of the Group Companies for easy access to other attractive services offered by Group Companies in order to differentiate itself from competitors and acquire new users. However, if, despite promoting these measures, Rakuten Mobile, Inc. cannot leverage the advantages of the Group Companies and, conversely, competitors both leverage their own existing advantages and roll out low-cost communication services, etc., it may be difficult for Rakuten Mobile, Inc. to acquire new users and maintain existing users, and Rakuten Mobile, Inc. and the Group Companies may be unable to provide services and related products as expected.

Under these circumstances, if, despite the aforementioned measures, Rakuten Mobile, Inc. and the Group Companies are unable to successfully compete with other telecommunications business operators, they may not be able to generate revenues as planned, and their business activities, financial performance, and financial position may be affected.

c) Facilities and Equipment

In order to expand and improve the quality of Mobile Network Operator (MNO) service by Rakuten Mobile, Inc., it carries out discussions with landowners in order to set up base stations as well as transmission and switching telecommunications facilities, which will link telecommunications lines owned by other telecommunications businesses, along with the procurement of telecommunications and network equipment, and mobile handsets in required for the construction of the network. If these discussions, etc., do not progress as planned, Rakuten Mobile, Inc. and the Group Companies may not be able to expand services as planned, additional expenses may arise, and the sales of telecommunications equipment may decline, which may affect the business activities, financial performance, and financial position of Rakuten Mobile, Inc. and the Group Companies.

d) Stable Provision of Communication Services

Rakuten Mobile, Inc. recognizes its social mission of supplying communications, an element of social infrastructure, and strives to supply stable communication services. It has defined a basic policy on crisis management and formulated a business continuity plan (BCP) based on this policy. It engages in initial response in the event of a crisis and strives to continue core operations without interruption and swiftly restore normal operations, and has concluded agreements with local governments, building a collaborative system to prepare for large-scale disasters. At the same time, Rakuten Mobile, Inc. strives to improve network quality and security and implements countermeasures against external attacks. However, it is possible that telecommunications failures or other unforeseeable circumstances could occur due to external attacks such as cyberattacks significantly exceeding the forecasts of Rakuten Mobile, Inc., natural disasters, accidents, and the like. If these were to occur, Rakuten Mobile, Inc. could be forced to limit the services it provides or temporarily suspend service provision, which could adversely affect the business activities, financial performance, and financial position of the Group Companies.

Rakuten Mobile, Inc. has advocated for “democratization of the mobile market” since its entry into the market, and has participated in various discussions on radio wave policies within the Ministry of Internal Affairs and Communications, aiming for the early allocation of platinum band, which has frequencies essential to realizing easily connected mobile communication services. If reassignment of the platinum band can be realized, Rakuten Mobile, Inc. will use its network technology and existing base station sites to install base stations flexibly and efficiently, keeping costs down while providing stable, high quality services. However, competitors strongly oppose reassignment to new entrants to the market, and if this plan cannot be realized according to the expectations of Rakuten Mobile, Inc., it may affect the business activities, financial performance, and financial position of Rakuten Mobile, Inc. and the Group Companies.

In addition, Rakuten Mobile, Inc. aims to realize mobile communication using low-orbit satellites, and as soon as it has obtained an experimental test station preliminary license for communication tests and preliminary verification, and has been granted an experimental test station license, it will conduct mobile communication tests and preliminary verification using low-orbit satellites in Japan. Going forward, we will keep striving to expand the Rakuten line area and improve communication quality so that our customers can use comfortable and highly convenient communication services no matter where they are. However, depending on the results of the preliminary verification, it may not be possible to provide the service according to the originally planned schedule, which may affect the business activities, financial performance, and financial position of Rakuten Mobile, Inc. and the Group Companies.

e) Third-Party Alliances

Rakuten Mobile, Inc. is expanding its base stations as well as transmission and switching telecommunications facilities, but in some regions it uses the lines of other telecommunications providers (roaming providers) to offer services (roaming services). While Rakuten Mobile, Inc. is currently in the process of reducing its reliance on roaming, it considers the state of expansion of owned base stations and telecommunications facilities on a per-region basis, engages in deliberations with roaming providers regarding whether or not to continue alliances, and strives to provide stable service. However, if, for some reason, the roaming providers with which Rakuten Mobile, Inc. has entered alliances raise line usage fees or terminate the alliances, or if the telecommunications facilities of roaming providers can no longer be used due to natural disasters, Rakuten Mobile, Inc. may be forced to change the services it provides, or these situations may result in service provision outages. Such situations may affect the business activities, financial performance, and financial position of the Group Companies.

f) Global Business

Through Rakuten Symphony, Inc., the Group Companies provide infrastructure and platform solutions for 4G and 5G to the global market. Under a long-term partnership with 1&1 AG (headquartered in Germany), the two companies will build Europe’s first fully virtualized mobile network based on the innovative Open RAN technology. However, the company’s business model will take time to turn a profit, and the company is an organization that combines companies from multiple countries, so unexpected events such as the emergence of country risk may cause delay in related initiatives, and affect the business activities, financial performance, and financial position of the Group Companies.

Rakuten Symphony, Inc. aims to expand globally to serve government bodies, telecom operators, and enterprises, and strives to meet the expected product performance while controlling costs. However, if Rakuten Symphony, Inc. needs to change its development plans for reasons such as changes in technical or customer needs, and this increases the development workload, it could cause development delays. Failure to achieve service quality guaranteed to the customer may result in a claim for damages or legal disputes such as litigation on intellectual property. In addition, the need may arise to acquire a license for intellectual property rights from a third party. Due to these circumstances, if expenses are incurred at amounts higher than originally planned, it may affect the business activities, financial performance, and financial position of the Group Companies. In addition to business partnerships with strategic partners, the company is also considering accepting capital. If progress is not made as planned due to changes in the business environment, it may affect the business activities, financial performance, and financial position of Rakuten Symphony, Inc. and the Group Companies.

2) Energy Business

In its electric power retailing business, Rakuten Energy, Inc. procures power from the wholesale power trading market, and it is therefore subject to the risk of electric power procurement price fluctuations.

To prepare itself for the possibility of power procurement price fluctuations in the wholesale power trading market, Rakuten Energy, Inc. has concluded fixed rate power procurement contracts for some of the power it procures, and introduced a retail rate that is linked to the wholesale power trading price. However, there is no guarantee that the risk of power procurement price fluctuations can be completely avoided, and the business activities, financial performance, and financial position of Rakuten Energy, Inc. and the Group Companies may be affected in the event that Rakuten Energy, Inc.'s power procurement prices rise due to fluctuations in power trading prices in the wholesale power trading market.

3) Ticket Business

The Group operates the ticket business as part of the content-related business, in addition to the digital content services in the Internet Services segment and mobile business mentioned above.

Due to requests from the government to refrain from holding events in order to combat the spread of COVID-19, numerous events have been cancelled or postponed nationwide, and a great number of ticket refunds have been issued. While there have been signs of a recovery, it is still unclear whether future entertainment and events will be held. In response to this situation, the Group Companies are shifting to online format, including online ticket sales for live events without live audience or with limited attendance, and are acquiring projects through comprehensive proposals in collaboration with other businesses, in order to maximize Group profits. We are also supporting the response to the era after COVID-19 in the industry, by providing a completely non-contact, one-stop check-in solution that links online ticket sales to automatic authentication machines at the time of admission such as Smart Gate, as a new source of revenue. However, if the number of marketing plans for events continues to fall due to the trend of the COVID-19 pandemic, and planned events are cancelled or postponed, this may affect the Group Companies' business activities, financial performance, and financial position.

5 Other Risks Accompanying Business Operation

(1) Risks Pertaining to Information Security

1) Risks Pertaining to Personal Information

When users use any of the services provided by the Group Companies as represented by "Rakuten Ichiba", the Group Companies assign the users Rakuten IDs. The Group Companies hold these data and engage in a wide range of businesses both in Japan and overseas. The Group Companies treat the Rakuten IDs as personal information linked to the users' names and addresses, and recognize the Rakuten IDs as indispensable assets for business expansion, together with information assets consisting of various types of hardware, software, and other information systems of the Group Companies. Accordingly, the Group Companies make it a top priority to enable all users to safely use the Group Companies' services and have established the information security management system (ISMS) with a view to developing information security systems and protecting personal information. In the businesses that handle payment cards, including credit cards, the Group Companies ensure thorough compliance with PCI DSS (Payment Card Industry Data Security Standard), an international standard for the security of card membership data.

In addition, when expanding businesses in each country, the Group Companies ensure thorough conformity with local laws and regulations related to personal information protection. In particular, with the aim to conforming to GDPR (General Data Protection Regulation), the Group Companies have introduced a world-class privacy protection standard known as the Binding Corporate Rules (BCR), and have received formal approval from the European data-protection organization.

In Japan, during the fiscal year ended December 31, 2022, we responded to the revised Act on the Protection of Personal Information of 2020. In addition, some of the Group Companies operate in conformance with the Japan Industrial Standards (JIS Q 15001: [Personal Information Protection Management System - Requirements]), have been certified by external organizations as business operators that have developed systems to take appropriate measures to protect personal information, and have been granted the PrivacyMark.

However, privacy-related laws and regulations, etc. in each country, including laws and regulations related to personal information management, laws and regulations related to global data transfers, and laws and regulations related to information security, have been getting more and more sophisticated and complicated. Failure to respond to these in a timely and appropriate manner and consequent violations of those laws and regulations, etc. could give rise to reputation risks and may lead to operation suspension orders or disputes involving litigation. In addition, any failure of the Group Companies to smoothly and appropriately respond to privacy-related laws and regulations or the industrial voluntary regulatory reinforcements could affect the data-utilizing businesses and revenue of the Group Companies.

For the purpose of avoiding the occurrence of these risks, the Group Companies have developed in-house rules, thoroughly publicized laws and regulations related to privacy, and implemented in-house training, together with the above-mentioned initiatives. In addition, the Group Companies work for the early detection of violation risks by establishing communication and consultation systems, and strive to apply the contents of laws and regulations, etc. to information security systems and business operations in a prompt and appropriate manner through close cooperation between relevant departments and departments in charge of privacy. However, if these risks become real, the Group's social credibility may be damaged, and the business activities, financial performance, and financial condition of the Group Companies may be affected, mainly due to the withdrawal of users and business partners and the accrual of compensation expenses.

2) Risks Pertaining to Cyber Security Risk

Many of the Group Companies' services are provided by the use of telecommunications networks linking computer systems. Therefore, the Group Companies might be unable to ensure information system availability or information confidentiality or integrity due to reasons such as failure or defects affecting the hardware or software in the network or the computer system, computer viruses, phishing emails or other malware, or criminal activities such as external access to computer resources of the Group Companies using illegal methods. In such cases, there arises a possibility that illegal usage of the Group Companies' services, deletion or fraudulent procurement of important data and others might occur.

For the purpose of avoiding or lowering the occurrence of these risks, the Group Companies have strengthened monitoring systems and have taken a variety of technological and physical measures. However, if these risks become real, there are possibilities that the Group's social credibility may be damaged, that users and business partners may withdraw, that compensation for damages, etc. may be demanded, and further, that the Group Companies may be subject to administrative penalties, etc., from administrative authorities. In such cases, the business activities, financial performance, and financial condition of the Group Companies may be affected.

3) Risks Pertaining to Trade Secrets and Other Information Leaks

The Group Companies are subject to the risk that trade secrets or other information of the Group Companies will be leaked mainly as a consequence of defects in the course of operations by officers, employees, subcontractors and others, or the abuse of access rights. If a resulting leaked trade secret or the like is abused by external third parties or is used by competitors, there is a possibility that the Group's income opportunities will be lost. For the purpose of avoiding or lowering the occurrence of these risks, the Group Companies have strengthened monitoring systems by developing management structure and have taken a variety of technological and physical measures, in addition to providing education and enlightening teaching activities for officers, employees, subcontractors and others. However, if these risks become real, there are possibilities that the Group's social credibility may be damaged, that users and business partners may withdraw, that compensation for damages, etc. may be demanded, and further, that the Group Companies may be subject to administrative sanctions, etc., from administrative authorities. In such cases, the business activities, financial performance, and financial condition of the Group Companies may be affected.

(2) Risks Pertaining to Information System

Many of the Group Companies' services are provided by the use of telecommunications networks linking computer systems. The Group Companies seek to make the most up-to-date responses using state-of-the-art technologies as much as applicable, and thereby endeavors to operate telecommunication networks normally so as not to impede the provision of services. However, there lies the possibility that even these measures will create vulnerabilities or deficiencies in the Group's information system due to reasons such as failure or defects affecting the hardware or software in the telecommunication network or the computer system. In addition, there lies the possibility that troubles might occur in the provision of normal services stemming from human operational errors, or that illegal usage of the Group Companies' services, deletion of important data, fraudulent procurement, falsification or leakage of confidential information, etc. might occur.

For the purpose of avoiding or lowering the occurrence of these risks, the Group Companies have strengthened monitoring systems and have taken a variety of technological and physical measures. However, if these risks become real, there are possibilities that incidents, such as a temporary suspension of the Group's system, will occur, that users and business partners will lose confidence and withdraw, or that users and business partners will demand compensation for damages, etc. for losses they have incurred due to system stoppage. In addition, there is a possibility that the Group Companies may be subject to administrative penalties, etc., from administrative authorities. In such cases, there are possibilities that the Group's social credibility may be damaged, and that the business activities, financial performance, and financial condition of the Group Companies may be affected.

(3) Risks Pertaining to Regulatory Systems, etc.

1) Risks Pertaining to Laws and Regulations and Compliance

The Group Companies are engaged in a wide range of businesses both in Japan and overseas. Each country or region has its own laws and regulations, and various rules, etc. to be complied with in relation to a variety of business activities, and the Group Companies are subject to the laws and regulations, and various rules, etc. described in the respective items of the FinTech segment and mobile segment, as stated previously, as well as various laws and regulations, rules, etc. in Japan and overseas regarding personal information and privacy protection, consumer protection, fair competition, prohibition of corruption, anti-money laundering and counter-terrorist financing, as well as economic sanctions, the natural environment, labor environment, crime prevention, disclosure, appropriate payment of taxes, human rights, export and import, investment, and foreign exchange, not to mention the laws and regulations covering various industries, including the telecommunications business, the transportation industry and funds transfer services. Among other things, regulations on digital platform operators, the regulatory systems regarding personal information management in each country, the regulatory systems regarding the global transfer of data, and the regulatory systems regarding information security, etc. are recognized as the most important of the laws and regulations, rules, etc. that may influence the Group Companies' business operations in particular.

If the Group Companies' business activities become subject to new restrictions or if the existing regulations are enforced on a more stringent basis due to the establishment and amendment of various relevant laws and regulations, or the formulation or revision of new guidelines and voluntary rules, or for other reasons, there could be an impact on the Group Companies' business activities, financial performance, and financial position.

The Group Companies consider compliance with laws and regulations as an important corporate responsibility, and have been enforcing strict compliance by strengthening the Group's compliance framework through: operational audits carried out by the Internal Audit Department (an independent organizational unit under the direct control of the Representative Director and President); Group-wide initiatives promoting compliance under the leadership of the Chief Operating Officer (COO), Chief Compliance Officer (CCO), and Company Compliance Officers appointed according to the internal Company System structure of the Company; and by reporting the status of compliance initiatives to the Group Risk and Compliance Committee and the Board of Directors. In fields where business is expanding rapidly, there is escalated risk of intentional or negligent violations of laws and regulations, and misconduct, so we strive to ensure compliance by preparing regulations and manuals, providing education, and monitoring the status of compliance.

However, despite these efforts, compliance risks (including the risk that the views of the supervisory authorities and the Group Companies differ) and the associated risk of damage to the Group's social credibility cannot be completely eliminated. If the Group Companies are unable to handle such risks, including situations attributable to partners in addition to the Group Companies, administrative sanctions from administrative authorities and the occurrence of financial loss and damage may affect the business activities, financial performance and financial condition of the Group Companies.

2) Risks Pertaining to Litigation, etc.

The Group Companies could be exposed to litigation and other claims, administrative penalties, or charges amounting to large sums if merchants, service providers, purchasers, service users, other users, or other related parties engage in illegal activities or get involved in disputes, if losses are incurred by these related parties as a result of system failures or other situations, or if any of the various regulatory restrictions imposed by the supervisory authorities are violated. As for mobile phones, e-book readers and other products sold by Rakuten Mobile, Inc. and Rakuten Kobo Inc., there is a possibility that product defects or other deficiencies may arise, which may cause these Group Companies to incur product liability or other obligations, in their positions as manufacturers or companies that entrust manufacturing to third parties. Furthermore, there is a possibility that litigation or other actions unpredictable at present may be filed due to new contingencies or business risks that have not yet become real, which may cause these companies to assume obligations to pay large sums to compensate for damages. Meanwhile, if the Group Companies' rights are infringed in some way by third parties or damaged by the actions of third parties, it is possible that the Group Companies will not be protected from the infringement of their rights or that substantial costs will be incurred due to litigation or other actions to protect those rights.

Although the Group Companies seek to provide services in an appropriate and legitimate manner mainly through carrying out preliminary consultations with lawyers and other external specialists and authorities as needed, it is difficult to eliminate the possibility of all litigation, etc. If these risks become real, there are possibilities that special damages will accrue, depending on the details or amounts demanded in the litigation, etc., that the Group's social credibility will be damaged, and that users and business partners will withdraw. Ultimately, the business activities, financial performance and financial condition of the Group Companies could be affected.

(4) Risks Pertaining to Property, Plant and Equipment

The Group owns property, plant and equipment such as equipment necessary for building a communication network in the mobile business. For these assets, we determine whether there are indications of impairment quarterly, and if there are indications of impairment, we estimate the recoverable value of the assets. We use future cash flow forecasts and other methods to estimate the recoverable amount, and an impairment loss is recognized when the recoverable amount is lower than the carrying amount of an asset. If future cash flows are expected to decline due to changes in the business environment in the future, the financial performance and financial condition of the Group Companies could be affected.

(5) Risks Pertaining to Intangible Assets

1) Risks Pertaining to the Preservation and Promotion of the Rakuten Brand

The Group is striving to establish the Rakuten brand through a variety of services and advertising activities, and recognizes that it has gained a certain level of recognition among its users and others. In line with the further expansion of the scale of businesses, the Group Companies are proceeding with the integration of their various brands into the Rakuten brand, and integrating their member IDs by unifying membership databases and developing a common reward program. Although the Group has developed a thorough plan in advance regarding measures and expenses for strengthening the brand to enhance its recognition and loyalty, expenses may exceed the plan if the measures fail to achieve the desired results. In addition, changes to brand names, logos and member IDs, which are conducted as part of the process of the above measures, could lead to loss of loyalty among existing members or cause them to withdraw from member organizations.

Moreover, measures of each service brand will affect all Group Companies due to the integration of brands under the Rakuten brand. Therefore, the reliability and brand value of the Group may be damaged in the event where incidents are discovered for one of its service brands, and could have adverse effects on all Group Companies. In such cases, the business activities, financial performance, and financial condition of the Group Companies could be affected.

2) Risks Pertaining to Intellectual Property

Since all of the businesses developed by the Group Companies face rapid progress and changes in technological fields, the Group Companies consider that, for their continuous business operations, it is indispensable to protect their technologies, brand, content in the countries where they proceed with business development. To that end, the Group Companies strive to acquire intellectual property rights such as patents, trademarks, copyrights and domain names, while receiving licenses granted to them by third parties as necessary.

However, there is a possibility that the Group Companies will be unable to protect their technologies, brands and content used by the Group Companies without being able to acquire intellectual property as expected. Furthermore, there are possibilities that allegations of infringements of intellectual property rights, etc. raised by third parties will cause expenses or losses to accrue for defense against allegations or dispute resolutions, that a large amount of expenses mainly for acquiring licenses for intellectual property rights will be accrued, and that the Group's businesses will be suspended and a large amount of compensation for damages will be imposed.

For the purpose of avoiding the occurrence of these risks, the Group Companies are proactively acquiring intellectual property rights such as patents, trademarks, copyrights and domain names, and implementing countermeasures to avoid infringements of the intellectual property of third parties. However, if these risks become real in spite of these countermeasures, the business activities, financial performance, and financial position of the Group Companies could be affected.

3) Risks Pertaining to Human Resources

The Group Companies require human resources with specialized skills and diversity relating to individual service segments. As the Group Companies expand their activities and develop their business internationally, it is necessary to continue the global recruitment and training of personnel and realize diversity. Furthermore, in light of Japan's declining birthrate, aging population, and declining working population, the Group Companies recognize that they must continuously address issues such as recruitment activities responsive to changes in market needs, improvement of productivity, the retention of employed human resources, and the training of manager-class employees.

The Group Companies update and implement monthly personnel plans, diversify recruitment channels and increase the number of recruiters while closely watching changes in those plans, and conduct recruitment activities accordingly. In addition, the Group Companies are seeking to strengthen human resource training and engagement mainly by implementing education and training activities tailored to the job ranking of employed human resources. In the training of manager-class employees, the Group Companies create opportunities for the Group's manager-class employees to express their opinions with each other at leadership summits, etc. held within the Group, thereby reinforcing Group-wide cooperation and leadership. Notwithstanding these measures, however, if the Group Companies are unable to proceed with employment as planned due to escalating competition for human resources among competitors, and if work to train human resources and develop work environments that enable various kinds of human resources to play active roles does not proceed smoothly, and thus there is an exodus of existing staff, there are possible risks of labor shortages and decreased labor productivity. In such cases, the business activities, financial performance, and financial position of the Group Companies could be affected.

In addition, Hiroshi Mikitani, the Chairman, President and Representative Director of the Company, is the founder of the Group Companies, has taken part in the Group's management as the CEO since the Company's foundation, and thus plays an important role. Therefore, if he were to unexpectedly resign or become incapable of performing his duties, the Group Companies could be affected. The Group Companies have set up an in-house company system, have assigned a company president for each company based on an authority table, adopt an Executive Officer System, and thereby appropriately transfer the authority of business execution. The Group Companies also train human resources who are capable of leading a wide range of the Group's business development globally, and reduce the risks that would arise in the event that Hiroshi Mikitani were to resign or become incapable of performing his duties. However, if these risks surface, the business activities, the financial performance, and financial position of the Group Companies could be affected.

(6) Risks Pertaining to Market Risks

1) Risks Pertaining to Interest Rate Fluctuations and Fluctuations in the Prices of Securities, Money Trusts, etc.

The Company and its subsidiaries, namely Rakuten Card Co., Ltd., Rakuten Bank, Ltd. and Rakuten Securities, Inc., procure funds from banks, etc. necessary for the business activities, and the procurement of these funds for the business activities may be exposed to the effects of interest rate fluctuations.

In addition, the Group Companies hold substantial amounts of financial products, including securities and money trusts. These securities, etc. may be exposed to fluctuations in their prices mainly due to the trends of financial instrument markets. Although the Group Companies utilize derivative transactions, etc. for some securities, etc. in order to reduce price fluctuation risks, there is no guarantee that the aforesaid risks will be reduced or completely avoided. For this reason, the business activities, financial performance, and financial position of the Group Companies could be affected by price fluctuations in the financial instrument markets.

2) Risks Pertaining to Exchange Rate Fluctuations

In foreign currency-denominated investments and the transactions in foreign currencies executed by the Group Companies, it is our policy to avoid exchange rate risks as much as possible, while closely observing economic trends. However, it is difficult to completely eliminate the impact of foreign exchange as the Group Companies translate items denominated in local currencies into Japanese yen for the business performance, assets and liabilities pertaining to foreign operations when preparing its Consolidated Financial Statements. For this reason, the business activities, financial performance, and financial position of the Group Companies could be affected by movements in foreign exchange rates.

(7) Risks Relating to Finance and Funds

1) Risks Relating to Financing

Loan contracts and commitment lines that the Group Companies have concluded with financial institutions, etc. are in some cases subject to covenants clauses, and any deterioration in the financial performance, financial position or credit rating of the Group Companies could result in demands from these financial institutions, etc. for full repayment of existing debt, increases in interest rates or commission rates, and the provision of collaterals under these clauses, etc. There is no guarantee that the Group Companies will be able to procure funds on favorable terms, and in a timely manner under certain circumstances, such as if the Group Companies' credit status deteriorates and the credit rating by credit rating agencies is lowered, or if fund procurement circumstances deteriorate at financial institutions, etc. mainly due to the situations of financial markets, thereby affecting the lending terms, bond issuance terms, etc. of the Group Companies. Such situations could have a limiting effect on the development of the Group Companies' services. The Group Companies seek to reduce these risks as much as possible mainly by means of maintaining favorable business relations with financial institutions, rating agencies, capital markets, etc., and diversifying funds sources and fund-raising methods. If, however, these risks surface, and if financial markets become unstable, the business activities, financial performance, and financial position of the Group Companies could be affected.

2) Risks Relating to Deferred Tax Assets

The Company and some of its subsidiaries currently recognize future tax benefits as deferred tax assets, in accordance with IFRS. The Group Companies recognize recoverable deferred tax assets in consideration of future taxable income and exercisable tax planning. However, if the Company or its subsidiaries will be unable to recover part or all of their deferred tax assets based on downward revisions on estimates of future taxable income, or due to tax reform or changes in accounting standards, the financial position and financial performance of the Group Companies would be affected by the consequent reduction in the value of said deferred tax assets.

(8) Risks Relating to Natural Disasters and Other Crisis Events

Natural disasters such as earthquakes, typhoons, and tsunamis, as well as pandemics, large-scale accidents, terrorist attacks, riots, and other unanticipated crisis events could affect the business activities, financial performance, and financial position of the Group Companies.

In the event of these disasters and crisis, the economic activities of society as a whole may stagnate and the demand for services provided by the Group Companies may decrease significantly. Or contrarily, the need for such services may rapidly surge, depending on the nature of the disaster, and if it exceeds the Group's operational handling capabilities, service operations could be delayed or temporarily suspended. In addition, the Group's sales and distribution bases, data centers, and other major bases may directly or indirectly incur damage caused by such disasters and crisis events. In such a case, due to the physical and personal damage, the telecommunication networks, information systems, etc. may not operate normally, limiting the Group's business activities, and causing unavoidable suspension of services. In addition, for the purpose of ensuring the safety of officers and employees, the Group Companies could be compelled to change operating formats, for example, by restricting or suspending commuting. This may reduce business productivity and temporarily raise risks related to information security and privacy protection.

The Group Companies have formulated the business continuity plans (BCP) in preparation of such disasters and crisis events, securing the safety of their officers and employees mainly through training and assuming to set up back-up systems for their information systems, and as such, seek to minimize the impact of risks. However, if the scale of a disaster or crisis exceeds their assumptions, these risks may become real and business continuity itself may be difficult or jeopardized. In such cases, the business activities, financial performance and financial position of the Group Companies could be affected.

(9) Risks Pertaining to Climate Change

Climate change, including extreme weather events and changes in climate patterns, has an impact on the global environment, humanity, and corporate activities, and the business activities, financial performance, and financial position of the Group Companies could be affected. Risks related to climate change can be broadly classified into physical risks and transition risks such as the expansion of various regulations associated with the transition to a low-carbon society.

The impact of specific extraordinary disasters on business is a physical risk. For example, Rakuten General Insurance Co., Ltd. provides various insurance products that cover damage caused by natural disasters, and it has paid out more insurance claims for large-scale natural disasters that are considered to be closely related to global warming, so the impact of climate change is increasing. In order to minimize such risks, Rakuten General Insurance Co., Ltd. comprehensively evaluates risks including natural disasters which relate to its product portfolio, and makes decisions such as whether to hold or transfer risks. For major natural disaster risks, as described in the previous section "(8) Risks Relating to Natural Disasters and Other Crisis Events", we are accumulating extraordinary risk reserves, and formulating and updating reinsurance schemes annually in order to transfer risks.

On the other hand, there is a risk arising from the transition to a low-carbon society. It is necessary to deal with the risks of laws and regulations, technology, markets, and reputation. In particular, market-related risks include soaring resource prices in Japan and other countries where we operate, and this could increase power procurement costs, which may affect our financial position. Since the Group's business activities and infrastructure consume a large amount of electricity, and more than 90% of the CO_2 emitted through business activities comes from electricity consumption, we consider this to be particularly important for the Group. We will increase our resilience against market risks by revitalizing energy-saving activities across the Group and building an energy portfolio that can withstand fluctuations in electricity market prices. In response to these risks, as part of our response to climate change, we declared in September 2022 our aim to achieve carbon neutrality, which means net zero greenhouse gas emissions in the business activities of the entire Group, including subsidiaries, by 2023. We have been working to introduce and expand the use of renewable energy, and in 2019, we joined the international initiative "RE100 (Renewable Electricity 100%)". As progress in 2021, the Company has achieved 100% renewable energy-derived power, and the entire Group including subsidiaries has reached a ratio of 20.6%. Going forward, we will continue to promote the conversion to renewable energy-derived power throughout the Group. By aiming to achieve "RE100" for the entire Group in 2023, we will promote the transition to a low-carbon society and reducing transition risk.

In 2021, in order to strengthen our sustainability promotion system, including initiatives related to climate change throughout the Group, we established a group-wide Sustainability Committee, chaired by the Chief Well-being Officer (CWO), and composed of domestic and overseas management members. The Sustainability Committee discusses goals and progress management, compliance with international guidelines, laws and regulations, with a focus on reports and resolutions from related subcommittees, and regularly reports to the Corporate Management Meeting. In January 2022, we established the Environmental Department as a practical promotion department, and the Environment Subcommittee as an official meeting body under the Sustainability Committee. On a monthly basis, they develop climate change countermeasure strategies for various internal organizations and incorporate them into concrete actions. As described above, we are striving to reduce the physical risk and transition risk arising from climate change risk, but there is the chance that climate change risks that exceed expectations materialize, causing delays in target conversion to renewable energy, or rapid progress in society's demands for climate change and delays in responding to them. In such a case, it may lead to damaging the social credibility of the Group, departure of users and clients, loss of profit opportunities, and so on, which may affect the business activities, financial performance, and financial position of the Group Companies.

(10) Administrative Operation Risk

1) Risks Pertaining to Financial Reporting

In an effort to prepare highly reliable financial statements, the Group Companies designed and are operating their internal controls systems in relation to financial reporting and conducted assessments in accordance with internal control reporting requirements under the Financial Instruments and Exchange Act. However, should material defects occur, such as when the internal controls of the Group Companies fail to function properly or internal fraud cannot be prevented, the Group's social credibility could be damaged, users and business partners could withdraw, and the business activities, financial performance and financial position of the Group Companies could be affected.

2) Risks Pertaining to Business Efficiency

The Group Companies implement numerous measures to increase the accuracy and efficiency of work operations. In particular, the Group Companies are working on improvement activities that engage the participation of all employees, utilizing various information systems in conducting their businesses, implementing double-checking systems that enforce sufficient checks of operation details by employees other than those parties responsible for the operation, standardizing and documenting internal rules and administrative procedures, etc. However, there are certain operations for which specialized information systems have not been introduced and which are entrusted to manual handling, and defects in administrative procedure may occur due to misrecognition by company officers and employees, incorrectly performed operations and other factors. Furthermore, it is possible that as a result of an increase in administrative work and the expansion of new services in conjunction with the Group Companies' rapid expansion that sharing and transfer of required expertise for business execution would be inadequate. As a result, there may be increased defects in administrative procedures and lower productivity, which could hinder the stable provision of services and lead to economic losses and outflows of personal information, etc., and the business activities, financial performance, and financial position of the Group Companies could be affected.

(11) Risks Pertaining to Reputation

There are various news contents and information about the Group Companies' businesses and officers and employees that are spread through various news outlets, including social media. Although such publicity and information may be based on incorrect information or speculation, they could possibly affect the perception or actions of users of the Group Companies' services and their investors, regardless of accuracy of such publicity and information or involvement of the Group Companies.

In the event there arises indefinite information that could have a serious influence on the Company's stock price, the Company will immediately disclose its opinion about the indefinite information according to an alert issued by the Tokyo Stock Exchange, and disclose appropriate information to capital markets so that investors can evaluate the Group Companies' stock based on accurate information. At the same time, the Company is working towards appropriate information transmission through the Group Companies' corporate website. However, news reports and the dissemination of information could damage the Group Companies' social credibility as a result, and thereby incur the withdrawal of users and business partners. In such cases, the business activities, financial performance, and financial position of the Group Companies could be adversely affected.

3. Management Analysis of Consolidated Business Results, Financial Position and Cash Flows

(1) Status of Business Results

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

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

(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.

1) Business Results for the fiscal year ended December 31, 2022 (Non-GAAP basis)

Although the world economy continued to pick up moderately during the fiscal year ended December 31, 2022 despite weakness seen in some regions, it will be necessary to pay attention to the impact from global monetary tightening, spread of infection in China, and increasing risk of economic downturn due to rising prices and other factors. Despite some weakness, the Japanese economy is recovering moderately including consumer spending, and going forward, it is expected to pick up partly due to the effects of various policies.

In a world where we live with COVID-19, the Company believes that societal demand has increased even further for digital services that enable people to purchase products and services without physical contact or face-to-face interaction. The recent situation in Ukraine has also had a certain degree of impact on the Group’s business activities, but it is expected that this will only have a limited impact on the Group’s business performance and financial status as the percentage of our revenue related to Ukraine and Russia is insignificant.

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

In the Internet Services segment, factors including measures to improve customer convenience, such as the introduction of a common free shipping threshold for participating merchants on internet shopping mall “Rakuten Ichiba” successfully led to the retention of customers against the backdrop of stay-at-home consumption amid the COVID-19 pandemic. In addition, steady recovery in demand for domestic travel and other factors resulted in growth in transaction volume in domestic e-commerce services. In the FinTech segment, the customer base for each service has continued to expand, and the Group achieved increases in revenue and profit in credit card related services and banking services, among others. In the Mobile segment, revenue increased compared to the fiscal year ended December 31, 2021 due to an increase in telecommunication fee revenues and other factors.

As a result, the Rakuten Group recorded revenue of ¥1,927,878 million, up 14.6% year-on-year for the fiscal year ended December 31, 2022. In the Mobile segment, although its segment loss peaked in the first quarter ended March 31, 2022 and has contracted thereafter, it recorded a Non-GAAP operating loss of ¥325,645 million, compared to Non-GAAP operating loss of ¥224,999 million in the previous fiscal year due to ongoing upfront investments such as the installation of its own base stations.

(Non-GAAP basis)

(Millions of Yen)

	Year ended December 31, 2021	Year ended December 31, 2022	Amount Change YoY	% Change YoY
Revenue	1,681,757	1,927,878	246,121	14.6%
Non-GAAP operating loss	(224,999)	(325,645)	(100,646)	—%

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

For the fiscal year ended December 31, 2022, amortization of intangible assets of ¥10,484 million and share based compensation expenses of ¥12,587 million were excluded from the Non-GAAP operating income. One-off items listed for the fiscal year ended December 31, 2021 include a gain on step acquisitions of ¥59,496 million as a result of making Altiostar Networks, Inc. a wholly-owned subsidiary of the Company and expenses of ¥8,789 million associated with an increase in provision for customer points as a result of revisions in the Rakuten Point Terms of Use. One-off items listed for the fiscal year ended December 31, 2022 include expenses associated with an increase in provision for customer points as a result of changes in the Rakuten Point Terms of Use and estimated expenses incurred from fraudulent acts committed in collusion by former employees of a subsidiary and suppliers, which are included as other expenses in the Consolidated Statement of Income.

(Millions of Yen)

	Year ended December 31, 2021	Year ended December 31, 2022	Amount Change YoY
Non-GAAP operating loss	(224,999)	(325,645)	(100,646)
Amortization of intangible assets (PPA)	(9,321)	(10,484)	(1,163)
Share-based compensation expenses	(10,059)	(12,587)	(2,528)
One-off items	49,653	(15,176)	(64,829)
IFRS operating loss	(194,726)	(363,892)	(169,166)

3) Business Results for the fiscal year ended December 31, 2022 (IFRS basis)

For the fiscal year ended December 31, 2022, the Rakuten Group recorded revenue of ¥1,927,878 million, up 14.6% year-on-year, an IFRS operating loss of ¥363,892 million, compared with an IFRS operating loss of ¥194,726 million in the fiscal year ended December 31, 2021, and net loss attributable to owners of the Company of ¥372,884 million, compared with net loss of ¥133,828 million in the fiscal year ended December 31, 2021.

(IFRS basis)

(Millions of Yen)

	Year ended December 31, 2021	Year ended December 31, 2022	Amount Change YoY	% Change YoY
Revenue	1,681,757	1,927,878	246,121	14.6%
IFRS operating loss	(194,726)	(363,892)	(169,166)	－%
Net loss attributable to owners of the Company	(133,828)	(372,884)	(239,056)	－%

4) Segment Information

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

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

(Internet Services)

In domestic e-commerce services, the mainstay of Internet services, the Rakuten Group is aiming for further growth in gross merchandise sales and revenue by working on various initiatives, including sales promotion activities to cultivate loyal customers and win new customers, promotion of cross-use of services, promotion of the introduction of a common free shipping threshold and further opening up the Rakuten Ecosystem. Services such as the internet shopping mall “Rakuten Ichiba” and “Rakuten Seiyu Netsuper”, which provides home delivery services for food and daily necessities, have continued to see further growth in transaction volume even compared with the fiscal year ended December 31, 2021 when the Rakuten Group benefited from the effects of the COVID-19 pandemic which gave a boost to the businesses. This was because these measures successfully led to the retention of customers who began using the services against the backdrop of increased demand for online shopping following the growth in “stay-at-home consumption”.

The online travel booking service, “Rakuten Travel”, saw significant growth in transaction volume compared to the previous fiscal year, thanks to government support measures as well as the success of sales promotion measures and other measures in line with the recovery in demand for domestic travel.

In other Internet services including overseas Internet services, revenue grew mainly in the US cashback service “Rakuten Rewards”.

In the fiscal year ended December 31, 2021, the Group recorded ¥27,827 million in valuation gains on investment securities related to investments in FinTech-related companies in the investment business, resulting in a year-on-year decrease in segment profit.

As a result, revenue for the Internet Services segment rose to ¥1,085,872 million, an 8.7% year-on-year increase, while segment profit stood at ¥78,203 million, a 24.3% year-on-year decrease.

(Millions of Yen)

	Year ended December 31, 2021	Year ended December 31, 2022	Amount Change YoY	% Change YoY
Segment revenue	999,185	1,085,872	86,687	8.7%
Segment profit	103,351	78,203	(25,148)	(24.3)%

(FinTech)

In credit card related services, the cumulative total number of Rakuten Card issued surpassed 28 million in December 2022. A recovery in offline consumption was seen primarily against a backdrop of the lifting of the COVID-19 pre-emergency status in March 2022, and there were continuous needs for online consumption, which has rooted with stay-at-home consumption amid the COVID-19 pandemic, resulting in growth in shopping transaction volume. In banking services, the number of savings accounts surpassed 13 million in September 2022 and the customer base has continued to expand thereafter. In securities services, domestic stock transaction volume reached a record high and customer retention was further increased.

As a result, the FinTech segment recorded ¥663,393 million in revenue, a 7.2% year-on-year increase, while segment profit stood at ¥98,704 million, a 10.8% year-on-year increase.

(Millions of Yen)

	Year ended December 31, 2021	Year Ended December 31, 2022	Amount Change YoY	% Change YoY
Segment revenue	619,048	663,393	44,345	7.2%
Segment profit	89,120	98,704	9,584	10.8%

(Mobile)

In mobile services, we worked to improve network quality by focusing on installing our own base stations ahead of schedule. In addition to an increase in the number of users who started to pay telecommunication charges following the expiration of a campaign offering one year of free telecommunication charges, growth in device sales also contributed to increased revenue. On the other hand, network-related expenses such as depreciation also increased.

As a result, revenue for the Mobile segment rose to ¥368,669 million, a 62.0% year-on-year increase due to factors such as an increase in revenue from telecommunication charges. Although a segment loss of ¥492,830 million (compared to a loss of ¥421,172 million in the fiscal year ended December 31, 2021) was recorded due to ongoing upfront investments such as the installation of our own base stations, the loss has contracted since its peak in the first quarter ended March 31, 2022.

(Millions of Yen)

	Year ended December 31, 2021	Year ended December 31, 2022	Amount Change YoY	% Change YoY
Segment revenue	227,511	368,669	141,158	62.0%
Segment loss	(421,172)	(492,830)	(71,658)	－%

5) Production, Order and Sales Status

(Production Results)

As the Group Companies provide various internet-based services as their main line of business, with no activities classified as production, no information is presented in respect of the production result.

(Order Results)

The Group Companies' main business is provision of various services on the internet, not including the provision of Open RAN-based communication infrastructure platforms and services. Therefore, there is no special matter presented in respect of order results.

(Sales Results)

Segment sales results in the current fiscal year are as follows:

Name of business segments	Revenue (Millions of Yen)	Year-on-year (%)
Internet Services	1,085,872	8.7
FinTech	663,393	7.2
Mobile	368,669	62.0
Intercompany transactions, etc.	(190,056)	－
Total	1,927,878	14.6

(2) Management Analyses and Details of Examination of Business Results, etc.

The content of Management Analyses and Details of Examination of Business Results, etc. is as follows. All forward-looking statements herein are based on judgments by the Group Companies as of the December 31, 2022.

1) Analysis of Business Results

(Revenue)

The Group Companies, for the fiscal year ended December 31, 2022, achieved revenue of ¥1,927,878 million, an increase of ¥246,121 million (14.6%) from ¥1,681,757 million for the previous fiscal year. This increase in revenue was brought by growth in domestic existing businesses represented by "Rakuten Ichiba" in the Internet Services segment, increases of commission income and other income in the FinTech segment owing to expansion of the "Rakuten Card" membership base, increased income from service transactions, etc. due to the expansion of the customer base in banking services, increased commission earnings from the growth of FX transactions in securities services, and an increase in communication fee revenue following the end of a campaign period in which communication charges are free for one year as well as an increase in handset sales in the Mobile segment.

(Operating expenses)
Operating expenses for the fiscal year ended December 31, 2022 amounted to ¥2,254,118 million, an increase of ¥287,699 million (14.6%) from ¥1,966,419 million for the previous fiscal year. This was due to increases in employee benefits expenses and in expenses related to the construction of base stations in the Mobile segment.

(Other income)
Other income for the fiscal year ended December 31, 2022 amounted to ¥8,383 million, a decrease of ¥99,654 million (92.2%) from ¥108,037 million for the previous fiscal year. This was due to the recording of a gain on step acquisitions of ¥59,496 million as a result of making Altiostar Networks, Inc. a wholly owned subsidiary of the Company in the previous fiscal year.

(Other expenses)
Other expenses for the fiscal year ended December 31, 2022 amounted to ¥46,035 million, an increase of ¥27,934 million (154.3%) from ¥18,101 million for the previous fiscal year. This was mainly due to the recording of ¥11,996 million in estimated expenses related to fraudulent acts committed in collusion by former employees of a subsidiary and suppliers.

(Operating loss)
An operating loss was recorded for the fiscal year ended December 31, 2022 of ¥363,892 million, compared to an operating loss of ¥194,726 million for the previous fiscal year. While the business was strong and revenue increased in the Internet Services and FinTech segments, in the Mobile segment, operating expenses rose due to the recording of expenses associated with construction of base stations, as upfront investments such as installation of our own base stations continue, although the loss has been shrinking since peaking in the first quarter. This, among others, led to the overall operating loss.

(Share of income (losses) of investments in associates and joint ventures)
Share of losses of investments in associates and joint ventures for the fiscal year ended December 31, 2022 amounted to ¥2,548 million, compared to a share of income of investments in associates and joint ventures of ¥1,834 million for the previous fiscal year. This was mainly due to the recording of income of ¥8,307 million including gain on bargain purchase of Seiyu Holdings Co., Ltd. according to the interest held by the Group in the previous fiscal year as the share of income of investments in associates and joint ventures.

(Loss before income tax)
A loss before income tax for the fiscal year ended December 31, 2022 amounted to ¥407,894 million, compared to a loss before income tax of ¥212,630 million for the previous fiscal year. This was due to a decrease in income as a result of factors explained in operating loss.

(Income tax benefit)
An income tax benefit for the fiscal year ended December 31, 2022 amounted to ¥31,983 million, compared to an income tax benefit of ¥76,804 million for the previous fiscal year. This was mainly due to the recording of a loss before income taxes for the current fiscal year.

(Net loss)
As a result of the above, a net loss for the fiscal year ended December 31, 2022 amounted to ¥375,911 million, compared to a net loss of ¥135,826 million for the previous fiscal year.

(Net loss attributable to owners of the Company)
As a result of the above, a net loss attributable to owners of the Company for the fiscal year ended December 31, 2022 amounted to ¥372,884 million, compared to a net loss attributable to owners of the Company of ¥133,828 million for the previous fiscal year.

2) Analysis of Financial Position
(Assets)
Total assets as of December 31, 2022 amounted to ¥20,437,298 million, an increase of ¥3,606,077 million from ¥16,831,221 million at the end of the previous fiscal year. The primary factors were an increase of ¥978,764 million in loans for banking business, an increase of ¥571,287 million in other financial assets, an increase of ¥457,547 million in investment securities for banking business, an increase of ¥387,596 million in loans for credit card business, and an increase of ¥342,232 million in financial assets for securities business.

(Liabilities)
Total liabilities as of December 31, 2022 amounted to ¥19,566,208 million, an increase of ¥3,852,277 million from ¥15,713,931 million at the end of the previous fiscal year. The primary factors include an increase of ¥1,570,727 million in deposits for banking business, an increase of ¥1,075,389 million in borrowings for banking business, and an increase of ¥461,471 million in financial liabilities for securities business.

(Equity)
Total equity as of December 31, 2022 was ¥871,090 million, a decrease of ¥246,200 million from ¥1,117,290 million at the end of the previous fiscal year. The primary factors include an increase of ¥ 70,440million in other components of equity due to the depreciation of Japanese yen, offset by a decrease of ¥396,632 million in retained earnings due mainly to the recording of ¥372,884 million in net loss attributable to owners of the Company during the fiscal year ended December 31, 2022.

3) Cash Flows
Cash and cash equivalents as of December 31, 2022 stood at ¥4,694,360 million, an increase of ¥284,059 million from the end of the previous fiscal year. Cash flow conditions and their main factors for the fiscal year ended December 31, 2022 are as follows.

(Net cash flows from operating activities)
Net cash flows from operating activities for the fiscal year ended December 31, 2022 resulted in a cash outflow of ¥257,947 million (compared with a cash inflow of ¥582,707 million for the previous fiscal year). Main factors included a cash inflow of ¥1,571,129 million due to an increase in deposits for banking business, offset by a cash outflow of ¥978,855 million due to an increase in loans for banking business and a cash outflow of ¥390,380 million due to an increase in receivables under securities borrowing transactions.

(Net cash flows from investing activities)
Cash flows from investing activities for the fiscal year ended December 31, 2022 resulted in a cash outflow of ¥952,408 million (compared with a cash outflow of ¥611,830 million for the previous fiscal year). Main factors included a net cash outflow of ¥477,777 million due to purchases and sales, etc. of investment securities for banking business (a cash outflow of ¥1,393,732 million due to purchases and a cash inflow of ¥915,955 million from sales and redemption), and a cash outflow of ¥298,666 million due to purchases of property, plant and equipment.

(Net cash flows from financing activities)
Cash flows from financing activities for the fiscal year ended December 31, 2022 resulted in a cash inflow of ¥1,486,684 million (compared with a cash inflow of ¥1,402,265 million for the previous fiscal year). Main factors included a cash outflow of ¥480,110 million in net decrease in short-term borrowings for banking business, offset by a cash inflow of ¥1,823,800 million due to proceeds from long-term borrowings for banking business.

4) Recognition and Presentation of Revenues
For recognition and presentation of revenues, please see “V. Financial Information, 1. Consolidated Financial Statements, (1) Consolidated Financial Statements, Notes to the Consolidated Financial Statements, 32. Revenue, (1) The Breakdown of Revenue”.

5) Recoverability of Deferred Tax Assets
In terms of deferred tax assets, the Group Companies recognize all deductible temporary differences as well as all carryforwards of unused tax loss and tax credit, to the extent that there will likely be sufficient taxable income in the future to which they will be utilized. The Group Companies believe that their estimates of the assessment of the recoverability of deferred tax assets are reasonable and that recognized deferred tax assets are recoverable. However, as these estimates contain uncertainties beyond the Group Companies’ control, if unforeseeable changes occur in the assumptions, which precipitate changes to the estimates relating to the assessment of recoverability, the Group Companies may reduce the deferred tax assets in the future.

6) Financial Assets Measured at Fair Value
For the financial assets measured at fair value, please see “V. Financial Information, 1. Consolidated Financial Statements, (1) Consolidated Financial Statements, Notes to the Consolidated Financial Statements, 44. Fair Value of Financial Instruments”.

(3) Asset Sources and Liquidity of Funds

1) Basic Policy on Financial Management
The Company's basic policy on financial management is to ensure stable and diverse means of procuring funds to meet funding needs in order to enable the realization of sustainable growth for the Group Companies, and to ensure sufficient liquidity in order to maintain the financial soundness of subsidiaries engaged in the finance business.

In principle, subsidiaries belonging to the FinTech segment, which requires management independence, and subsidiaries excluding Rakuten Mobile, Inc. that procure leases from external financial institutions, do not procure funds from banks or other external financial institutions. Instead, the Company raises funds, improves the efficiency of the Group Companies’ funds, and ensures liquidity through the use of cash management services within the Group Companies.

In addition, the Company’s basic policy is to use funds obtained from cash flows from operating activities and short-term borrowings including commercial papers to procure increased operating funds, etc., in the continuously growing Internet Services segment. As for the appropriation of funds for capital expenditures in the Mobile segment, which is in the investment phase, please see “3) Future Funding Procurement Needs and Funding Procurement Forecast” below.

As to a case that requires new capital expenditure including any investment, members, including external experts, of the Investment Committee preliminarily deliberate on whether the case should be proceeded or not. The result of such deliberation shall be reported to the Board of Directors. In addition, cases exceeding a certain amount are required to be approved by the Board of Directors. Furthermore, post-investment monitoring is conducted on an ongoing basis, and the portfolio is flexibly reviewed as necessary. Through these efforts, the Company aims to achieve Group-wide risk management and optimal allocation of management resources.

Based on the above, specific funding procurement methods and the timing of funding procurement are determined in light of factors including cash flows and liquidity on hand, based on the business plan for the Group Companies as a whole.

For risks related to funding procurement, please see “II. Business Overview, 2. Business Risks”.

2) Current Status

As of December 31, 2022, Group Companies have a total of ¥4,912,750 million in bonds and borrowings, an increase of ¥1,509,838 million from the previous fiscal year. Of these, short-term bonds and borrowings decreased ¥313,558 million year on year, to become ¥748,287 million, comprising short-term borrowings of ¥344,387 million and commercial papers of ¥403,900 million.

The Company's long- and short-term credit ratings (as of March 16, 2023) were A/J-1, from the Japan Credit Rating Agency (JCR), BBB+/a-2 from Rating and Investment Information (R&I), and BB (long-term) from S&P Global Ratings.

3) Future Funding Procurement Needs and Funding Procurement Forecast

The Company’s subsidiary Rakuten Mobile, Inc. received approval for a “plan to set up specified base stations to promote the spread of the fourth-generation mobile communication system” in April 2018, and for a “plan to set up specified base stations for the introduction of a fifth-generation mobile communication system” in April 2019. The Rakuten Group has fully launched 4G services in April 2020, and 5G services in September 2020. Capital investment in the approved plans is expected to amount to a maximum of approximately ¥800,000 million by the end of March 2026. In addition, in April 2021, we received approval for a “plan to set up specified base stations to promote the spread of the fifth-generation mobile communication system”, and the amount of capital investment in the approved plan is expected to be approximately ¥118,600 million by the end of March 2029. Regarding the amount of capital investment related to 4G thereafter, in order to improve communication quality by increasing the density of base stations and to accommodate the expected increase in the number of users going forward, we are installing more base stations than originally planned, and the amount of capital investment in base stations is increasing accordingly. The cumulative amount of capital investment from fiscal 2018 to the end of the fiscal year ended December 31, 2022, excluding right-of-use assets and specified base station installation fees, is approximately ¥1,070,000 million. Plans for procurement of these necessary funds in the mobile business include investment from the Company to Rakuten Mobile, Inc., and

leasing and fluidized finance in Rakuten Mobile, Inc. The investment was mainly funded by ¥182,000 million (of this amount, ¥75,000 million was redeemed by purchase in July 2021) procured through unsecured subordinated bonds with deferred interest clause and early redemption clause (with subordination agreement) issued in December 2018, and ¥120,000 million procured through unsecured subordinated bonds with deferred interest clause and early redemption clause (with subordination agreement) issued in November 2020, ¥242,347 million raised from the issuance of new shares through a third-party allotment and disposal of treasury stock in March 2021, $1,750 million and €1,000 million raised from U.S. dollar and euro-denominated non-call undated subordinated notes issued in April 2021, ¥300,000 million procured through unsecured bonds issued in December 2021, ¥150,000 million procured through unsecured bonds issued in June 2022, $500 million raised through dollar-denominated unsecured bonds issued in November 2022, $450 million raised through dollar-denominated unsecured bonds issued in January 2023, and ¥250,000 million procured through unsecured bonds issued in February 2023, used in whole or in part. Capital investment of Rakuten Mobile, Inc. for the fiscal year ending December 31, 2023 is planned to be approximately ¥300,000 million.
However, going forward, there is a possibility that the Company may be required to make further investments in Rakuten Mobile, Inc., due to accelerated capital investments in 5G services, etc. In such cases, the Company will consider the most appropriate means of fund procurement, taking into account the “1) Basic Policy on Financial Management” above.

(4) Factors Having a Serious Impact on Business Results

For factors that have a serious impact on business results, please see “II. Business Overview, 2. Business Risks”.

(5) Significant Accounting Estimates and the Assumptions Used in Such Estimates

The Group Companies’ Consolidated Financial Statements are prepared in accordance with IFRS. The significant accounting estimates and the assumptions used in such estimates applied for the preparation of the Consolidated Financial Statements are described in “V. Financial Information, 1. Consolidated Financial Statements, (1) Consolidated Financial Statements, Notes to the Consolidated Financial Statements, 3. Significant Accounting Estimates and Judgments”.

4. Material Business Agreements, etc.
Important contracts for business in the current fiscal year are as follows.

(1) Business Combination with Robin Systems, Inc.
At the meeting of the Board of Directors held on February 25, 2022, the Company resolved to acquire additional shares of Robin Systems, Inc. through Rakuten Mobile USA LLC, a wholly-owned subsidiary of the Company, and make Robin Systems, Inc. a wholly-owned subsidiary of the Company. The agreement on the additional share acquisition was concluded on the same date.
For details, please refer to "V. Financial Information, 1. Consolidated Financial Statements, (1) Consolidated Financial Statements, Notes to the Consolidated Financial Statements, 50. Business Combinations".

(2) Partial Sale of Shares of Rakuten Securities, Inc.
At the meeting of the Board of Directors held on October 7, 2022, the Company resolved to sell 19.99% of the common stock of Rakuten Securities, Inc. (hereinafter "Rakuten Securities") held by Rakuten Securities Holdings, Inc. (hereinafter "Rakuten Securities Holdings"), a subsidiary of the Company, to Mizuho Securities Co., Ltd. (hereinafter "Mizuho Securities"), a subsidiary of Mizuho Financial Group, Inc. (hereinafter the "Share Sale"), and the sale was completed on November 1, 2022.
The following is an overview of the Share Sale.

1) Background and Purpose of the Share Sale
We have agreed to enter into a strategic alliance to jointly realize a "fully-fledged hybrid comprehensive asset management consulting service that meets the needs of all individual customers", by bringing together strengths such as the ability of Rakuten Securities to attract customers from a wide range of generations by leveraging synergies with the Rakuten Ecosystem and its online securities trading platform with excellent UI/UX, as well as strengths such as Mizuho Securities' product appeal and comprehensive asset management consulting capabilities across banking, trust, and securities activities.

2) Overview of the Subsidiary which will Sell Shares
a) Name: Rakuten Securities, Inc.
b) Location: 2-6-21 Minami Aoyama, Minato-ku, Tokyo
c) Title and name of representative: Yuji Kusunoki, President
d) Description of business: Financial instruments business
e) Share capital: ¥19,495 million
f) Date of establishment: March 24, 1999
g) Major shareholders and ownership ratios: Rakuten Securities Holdings, Inc., 100%

3) Overview of the Counterparty to whom the Shares will be Sold
a) Name: Mizuho Securities Co., Ltd.
b) Location: 1-5-1 Otemachi, Chiyoda-ku, Tokyo
c) Title and name of representative: Yoshiro Hamamoto, President & CEO
d) Description of business: Financial instruments business

4) Share Selling Price and Status of Ownership Ratio Before and After the Share Sale

a) Selling price: ¥80,000 million

b) Percentage of voting rights held before the sale: 100%

c) Percentage of voting rights held after the sale: 80.01% (Note)

(Note) Rakuten Securities will remain a subsidiary of the Company and Rakuten Securities Holdings even after the Share Sale.

For details of transactions with non-controlling interests associated with the sale of shares, please refer to “V. Financial Information, 1. Consolidated Financial Statements, (1) Consolidated Financial Statements, Notes to the Consolidated Financial Statements, 51. Major Subsidiaries”.

5. Research and Development Activities

Research and development activities of the Group Companies are carried out independently within each of the business segments with the purpose of contributing to the development operations of the Company and the Group Companies. In February 2014, a research base was established in Paris, France, in July 2015 in Singapore and Boston, the United States, in April 2018 in San Mateo, the United States, and in December 2018 in Bengaluru, India adding to our facilities in Japan, to expand our research system. We explore research themes focused on three areas, namely AI and Deep learning, user interaction and AR/VR/MR, and mobile communication system-related technologies, IoT, robot and drone-related technologies, based on our corporate vision on the future direction of internet development, with the details given below. Since the Group Companies' research and development activities mainly cover internet-related basic technologies and mobile communication system-related technologies, which cannot be classified into specific segments, the activities are not listed by segment. The total expense of research and development for the fiscal year ended December 31, 2022 was ¥14,156 million.

1) AI and Deep Learning

In the area of AI and Deep learning, we develop advanced technologies to automatically analyze the abundant amount of text data and multi-media data that the Group Companies possess, as well as technologies that will optimize various services based thereon. The aim is to create a diverse platform for searches, recommendations, advertising, medical care, voice and speech, language and image processing that can be horizontally expanded to each business.

2) User Interaction and AR/VR/MR

We have developed user interaction that enables a rich content experience and that is compatible with various devices and sensors in line with changes in users' technical environments, in order to enhance the overall service level of the Company and the Group Companies. This area also includes the latest user interaction such as AR/VR/MR.

3) Mobile Communication System-related Technologies, IoT, Robot and Drone-related Technologies

We are engaged in the research and development of 5G related technologies, technologies related to the advancement of next-generation virtualized wireless access networks and automation of network operations, an IoT technology platform, and robot and drone-related technologies.

III. Equipment and Facilities

1. Status of Capital Expenditures, etc.
   Capital expenditure in the fiscal year ended December 31, 2022 was ¥588,219 million. This was mainly due to increases in capital investment and right-of-use assets at Rakuten Mobile, Inc. for the purpose of establishing new base stations and network equipment regarding “4G” and “5G”.

2. Situation of Major Equipment

(1) Company filing Financial Reports

As of December 31, 2022

Business Place (Location)	Name of segments	Details of major facilities	Book value (Millions of Yen)						Number of employees (Persons)
			Buildings and accompanying facilities	Furniture, fixtures and equipment	Right-of-use assets	Software	Other	Total	
Head Office (Setagaya-ku, Tokyo)	—	Facilities involved with all operations	3,131	1,360	12,287	12,305	31,949	61,032	7,170
Matsudo Rakuten Dedicated Logistics Center (Matsudo-shi, Chiba) and 3 other locations	Internet Services	Warehouse facilities	3,601	1,435	55,879	22	654	61,591	25

(Note) Number of employees represents the number of persons engaged.

(2) Domestic Subsidiaries

As of December 31, 2022

Name of companies	Location	Name of segments	Details of major facilities	Book value (Millions of Yen)							Number of employees (Persons)
				Furniture, fixtures and equipment	Machinery facilities	Right-of-use assets	Software	Construction in progress	Other	Total	
Rakuten Mobile, Inc.	Setagaya-ku, Tokyo	Mobile	Facilities involved with all operations	181	7,732	11	61,977	—	85,097	154,998	2,662
Rakuten Mobile, Inc.	Base station network center in Japan	Mobile	Base stations, network equipment, etc.	46,283	455,965	277,003	6,017	145,837	48,568	979,673	2,705

(Notes) 1. Number of employees represents the number of persons engaged.
2. “Other” of the book value primarily represents software in progress.

(3) Overseas Subsidiaries

As of December 31, 2022

Name of companies	Location	Name of segments	Details of major facilities	Book value (Millions of Yen)						Number of employees (Persons)
				Buildings and accompa ny-ing facilities	Furniture, fixtures and equipme nt	Right-of-use assets	Land (m^2)	Software	Total	
Rakuten USA, Inc.	U.S.	Internet Services	Facilities involved with all operations	17,841	328	174	4,707 (19,287)	841	23,891	369

(Note) Number of employees represents the number of persons engaged.

3. Plans for Introduction, Disposals, etc. of Facilities

(1) Introduction, etc. of Major Facilities

As of December 31, 2022

Name of companies	Location	Name of segments	Details of major facilities	Expected investment amount Total amount	Method of procuring funds	Start date	Expected Completion date
Rakuten Mobile, Inc.	Setagaya-ku, Tokyo	Mobile	Base stations, network equipment, etc. regarding “4G” and “5G”	300.0 billion yen	Private fund, loans, issuance of bonds, issuance of new shares, etc.	January 2023	December 2023

(2) Major Facility Disposal, etc.

Not applicable.

IV. Information on the Company Submitting Financial Reports

1. Information on the Company's Shares

(1) Total Number of Shares, etc.

1) Total Number of Shares

Class	Total number of shares authorized to be issued (shares)
Common stock	3,941,800,000
Total	3,941,800,000

2) Total Number of Shares Issued

Class	As of the end of the current fiscal year (shares) (December 31, 2022)	As of the submission date (shares) (March 30, 2023)	Stock exchange on which the Company is listed	Description
Common stock	1,590,463,000	1,591,422,000	Tokyo Stock Exchange Prime Market	One unit of stock constitutes 100 common stocks.
Total	1,590,463,000	1,591,422,000	—	—

(Note) The number of shares issued as of the submission date of this Annual Securities Report does not include the number of shares issued between March 1, 2023 and such submission date.

(2) Status of the Share Options

1) Share Option Plans

Share options issued pursuant to the Companies Act are as follows:

1), 2) Resolution at 16th General Shareholders' Meeting (March 28, 2013)

Date of resolution at General Shareholders' Meeting (Date of resolution at Meeting of the Board of Directors)	March 28, 2013 (June 20, 2013)	March 28, 2013 (November 21, 2013)
Classification and number of persons received (persons)	Employees of the Company, and Directors, Audit & Supervisory Board Members and employees of the Company's subsidiaries 4,645	Employees of the Company's subsidiaries 1
Number of Share Options (share options) *	4,779 [4,468] (Note 1)	120 [120] (Note 1)
Class, details and number of shares to be issued upon exercise of Share Options (shares) *	Common stock 477,900 [446,800] (Note 1)	Common stock 12,000 [12,000] (Note 1)
Cash payment upon exercise of Share Options*	¥1 per share option (Note 2)	¥1 per share option (Note 2)
Exercise period of Share Options*	From March 29, 2017 to March 27, 2023	From March 29, 2017 to March 27, 2023
Issue price for shares issued through exercise of Share Options and the amount to be included in capital*	Issue price: ¥1,187 Amount to be included in capital: ¥594 (Note 4)	Issue price: ¥1,575 Amount to be included in capital: ¥788 (Note 4)
Conditions for exercise of Share Options*	(Note 3)	(Note 3)
Matters concerning transfer of Share Options*	(Note 6)	(Note 6)
Matters concerning issuance of Share Options accompanying organizational restructuring*	(Note 7)	(Note 7)

* Abovementioned items are based on Information as of the end of the current fiscal year (December 31, 2022). For the items that changed between the end of the current fiscal year and the end of the month prior to the date of submission (February 28, 2023), information as of the end of the month prior to the date of submission are stated within square brackets. Other items have not changed since the end of the current fiscal year.

(Notes) 1. Class and number of shares to be issued upon exercise of Share Options

If the Company splits its common stock (including allotment of its common stock without compensation; hereinafter the same shall apply) or consolidates its common stock, the number of shares to be issued upon exercise of each unit of such Share Options shall be adjusted according to the following formula; provided that such adjustment shall be made only to those remain unexercised or uncanceled at the time of such adjustment and; provided, further, that if any fraction less than one share arises as a result of such adjustment, such fraction shall be discarded.

$$\text{Number of issued shares after adjustment} = \text{Number of issued shares before adjustment} \times \text{Ratio of split or consolidation}$$

In addition, if the Company carries out a merger, a company split, share exchange, share transfer, etc. that makes it necessary to adjust the number of shares, the number of shares shall be adjusted within a reasonable range, taking into account the conditions of the merger, company split, share exchange, and share transfer.

2 Value of the assets to be contributed upon exercise of Share Options

The value shall be ¥1 per share option.

3 Conditions for exercise of Share Options

1) Those who received the allotment of the issue of Share Options (hereinafter "Holders of Share Options") shall remain Directors, Executive Officers, Audit & Supervisory Board Members or employees of the Company, or its subsidiaries or affiliates at the time of exercising such rights, provided however that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.
2) Share Options shall not be inherited, provided however that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.
3) Share Options shall not be offered for pledge or disposed of in any other way.

4 Matters concerning increase in capital stock and capital reserve by issuing of shares (including transfer of treasury stocks instead of issuance; hereinafter the same shall apply) upon exercise of Share Options

1) Amount of increase in capital stock by issuing shares upon exercise of Share Options shall be half of the upper limit of capital increase as calculated pursuant to the provisions of Article 17, Paragraph 1 of the Ordinance on Accounting of Companies, where any resultant fraction less than one yen shall be rounded up.
2) Amount of increase in capital reserve by issuing shares upon exercise of Share Options shall be the upper limit of capital stock increase as described in 1) above less the amount of increase in capital stock set out therein.

5 Reasons and conditions for the acquisition of Share Options

1) In case that the proposal of any merger agreement under which the Company is dissolved, or any absorption-type company split (kyushu-bunkatsu) agreement or incorporation-type company split (shinsetsu-bunkatsu) plan in which the Company will be a splitting company, or any share exchange agreement or share transfer plan in which the Company will be a wholly owned subsidiary of another company is approved at a General Shareholders' Meeting, the Company may acquire Share Options at the date specifically determined by the Board of Directors of the Company without any compensation therefor.
2) In case that Holders of Share Options cease to accommodate the conditions of 3 1) before exercising Share Options, the Company may acquire such Share Options at the date specifically determined by the Board of Directors of the Company without any compensation therefor.

6 Restriction on Transfer

Transfer of Share Options requires approval by the Board of Directors of the Succeeding Company.

7 Treatment of Share Options in the event of organizational restructuring

In the event the Company merges (limited to cases where the Company becomes a dissolving company), performs an absorption-type company split or an incorporation-type company split, or conducts a share exchange or a share transfer (hereinafter collectively "Organizational Restructuring"), Share Options of a corporation described in Article 236, Paragraph 1, Items (viii) (a) through (e) of the Companies Act (hereinafter "Restructured Company") will be delivered under the following conditions to Holders of Share Options remaining unexercised (hereinafter "Remaining Share Options") at the time when Organizational Restructuring takes effect. In this case, the Remaining Share Options will lapse and the Restructured Company will issue new Share Options. However, the foregoing will apply only to cases in which the delivery of Share Options of the Restructured Company according to the following conditions is stipulated in the merger agreement, the absorption-type company split agreement, the incorporation-type company split plan, the share exchange agreement, or the share transfer plan.

1) Number of Share Options of the Restructured Company to be delivered

The Restructured Company shall deliver Share Options, the number of which will equal the number of Share Options held by the holder of the Remaining Share Options.

2) Class of shares of the Restructured Company to be issued upon the exercise of Share Options
Shares of common stock of the Restructured Company
3) Number of shares of the Restructured Company to be issued upon the exercise of Share Options
To be decided according to 1 above and Total number of Share Options after taking into consideration the conditions, etc. of the Organizational Restructuring.
4) Value of the assets to be contributed upon the exercise of Share Options
The value of the assets to be contributed upon the exercise of each Share Options will be decided according to 2 above after taking into consideration the conditions, etc. of the Organizational Restructuring.
5) Exercise period of Share Options
Starting from the later of either the first date of the exercise period of Share Options as stipulated or the date on which the Organizational Restructuring becomes effective and ending on the expiration date for the exercise of Share Options.
6) Matters concerning increase in capital stock and capital reserve to be increased by the issuing of shares by the Restructured Company upon the exercise of Share Options
To be determined in accordance with 4 above.
7) Restriction on acquisition of Share Options by transfer
Acquisition of Share Options by transfer will be subject to the approval of the Board of Directors of the Restructured Company (or by the majority decision of Directors if such company is not a company with a Board of Directors).
8) Reasons and conditions for the acquisition of Share Options
To be determined in accordance with 5 above.

8 Rules pertaining to fractions of less than one share arising from the exercise of Share Options
Fractions of less than one share in the number of shares to be delivered to holders of Share Options who exercised Share Options shall be discarded.

3), 4) Resolution at 16th General Shareholders' Meeting (March 28, 2013)

Date of resolution at General Shareholders' Meeting (Date of resolution at Meeting of the Board of Directors)	March 28, 2013 (January 25, 2014)	March 28, 2013 (February 20, 2014)
Classification and number of persons received (persons)	Employees of the Company, and Directors, Audit & Supervisory Board Members and employees of the Company's subsidiaries 4,837	Directors, Audit & Supervisory Board Members and employees of the Company 74
Number of Share Options (share options)*	3,110 [2,812] (Note 1)	1,432 [1,373] (Note 1)
Class, details and number of shares to be issued upon exercise of Share Options (shares)*	Common stock 311,000 [281,200] (Note 1)	Common stock 143,200 [137,300] (Note 1)
Cash payment upon exercise of Share Options*	¥1 per share option (Note 2)	¥1 per share option (Note 2)
Exercise period of Share Options*	From March 29, 2017 to March 27, 2023	From March 29, 2017 to March 27, 2023
Issue price for shares issued through exercise of Share Options and the amount to be included in capital*	Issue price: ¥1,675 Amount to be included in capital: ¥838 (Note 4)	Issue price: ¥1,450 Amount to be included in capital: ¥725 (Note 4)
Conditions for exercise of Share Options*	(Note 3)	(Note 3)
Matters concerning transfer of Share Options*	(Note 6)	(Note 6)
Matters concerning issuance of Share Options accompanying organizational restructuring*	(Note 7)	(Note 7)

(Notes) 1-8 Same as Notes 1-8 of the Share Options of 1), 2) Resolution at 16th General Shareholders' Meeting held on March 28, 2013.

5) Resolution at 16th General Shareholders' Meeting (March 28, 2013)

Date of resolution at General Shareholders' Meeting (Date of resolution at Meeting of the Board of Directors)	March 28, 2013 (March 19, 2014)
Classification and number of persons received (persons)	Directors and employees of the Company's subsidiaries 70
Number of Share Options (share options)*	1,472 [1,453] (Note 1)
Class, details and number of shares to be issued upon exercise of Share Options (shares)*	Common stock 147,200 [145,300] (Note 1)
Cash payment upon exercise of Share Options*	¥1 per share option (Note 2)
Exercise period of Share Options*	From March 29, 2017 to March 27, 2023
Issue price for shares issued through exercise of Share Options and the amount to be included in capital*	Issue price: ¥1,307 Amount to be included in capital: ¥654 (Note 4)
Conditions for exercise of Share Options*	(Note 3)
Matters concerning transfer of Share Options*	(Note 6)
Matters concerning issuance of Share Options accompanying organizational restructuring*	(Note 7)

(Notes) 1-8 Same as Notes 1-8 of the Share Options of 1), 2) Resolution at 16th General Shareholders' Meeting held on March 28, 2013.

6), 7) Resolution at 17th General Shareholders' Meeting (March 28, 2014)

Date of resolution at General Shareholders' Meeting (Date of resolution at Meeting of the Board of Directors)	March 28, 2014 (April 19, 2014)	March 28, 2014 (June 19, 2014)
Classification and number of persons received (persons)	Directors and employees of the Company's subsidiaries 112	Employees of the Company, and Directors, Audit & Supervisory Board Members and employees of the Company's subsidiaries 5,176
Number of Share Options (share options)*	1,600 [1,600] (Note 1)	4,513 [4,387] (Note 1)
Class, details and number of shares to be issued upon exercise of Share Options (shares)*	Common stock 160,000 [160,000] (Note 1)	Common stock 451,300 [438,700] (Note 1)
Cash payment upon exercise of Share Options*	¥1 per share option (Note 2)	¥1 per share option (Note 2)
Exercise period of Share Options*	From March 29, 2018 to March 27, 2024	From March 29, 2018 to March 27, 2024
Issue price for shares issued through exercise of Share Options and the amount to be included in capital*	Issue price: ¥1,336 Amount to be included in capital: ¥668 (Note 4)	Issue price: ¥1,331 Amount to be included in capital: ¥666 (Note 4)
Conditions for exercise of Share Options*	(Note 3)	(Note 3)
Matters concerning transfer of Share Options*	(Note 6)	(Note 6)
Matters concerning issuance of Share Options accompanying organizational restructuring*	(Note 7)	(Note 7)

(Notes) 1, 2, 4-8 Same as Notes 1, 2, 4-8 of the Share Options of 1), 2) Resolution at 16th General Shareholders' Meeting held on March 28, 2013.

3 Conditions for exercise of Share Options

1)-3) Same as Note 3 1)-3) of the Share Options of 1), 2) Resolution at 16th General Shareholders' Meeting held on March 28, 2013.

4) The Holders of Share Options have duties to pay all taxes (including but not limited to income tax, social security contributions, pensions, and employment insurance premiums, irrespective of whether prescribed within Japan) specified by laws and regulations in relation to Share options and shares. In the case where the Company and its subsidiaries and affiliates is obliged to levy income tax, etc., the relevant company obliged to levy income tax, etc. shall be able to levy tax from such Holders of Share Options by the methods listed below.

i) Receipt by Cash

ii) Appropriation of shares owned by the Holders of Share Options

iii) Deduction from salaries, bonuses, etc. of the Holders of Share Options

iv) Other methods specified by the Company

8), 9) Resolution at 17th General Shareholders' Meeting (March 28, 2014)

Date of resolution at General Shareholders' Meeting (Date of resolution at Meeting of the Board of Directors)	March 28, 2014 (August 21, 2014)	March 28, 2014 (September 18, 2014)
Classification and number of persons received (persons)	Employees of the Company's subsidiaries 106	Directors and employees of the Company's subsidiaries 11
Number of Share Options (share options)*	1,798 [1,798] (Note 1)	89 [89] (Note 1)
Class, details and number of shares to be issued upon exercise of Share Options (shares)*	Common stock 179,800 [179,800] (Note 1)	Common stock 8,900 [8,900] (Note 1)
Cash payment upon exercise of Share Options*	¥1 per share option (Note 2)	¥1 per share option (Note 2)
Exercise period of Share Options*	From March 29, 2018 to March 27, 2024	From March 29, 2018 to March 27, 2024
Issue price for shares issued through exercise of Share Options and the amount to be included in capital*	Issue price: ¥1,320 Amount to be included in capital: ¥660 (Note 4)	Issue price: ¥1,201 Amount to be included in capital: ¥601 (Note 4)
Conditions for exercise of Share Options*	(Note 3)	(Note 3)
Matters concerning transfer of Share Options*	(Note 6)	(Note 6)
Matters concerning issuance of Share Options accompanying organizational restructuring*	(Note 7)	(Note 7)

(Notes) 1, 2, 4-8 Same as Notes 1, 2, 4-8 of the Share Options of 1), 2) Resolution at 16th General Shareholders' Meeting held on March 28, 2013.

3 Same as Note 3 of the Share Options of 6), 7) Resolution at 17th General Shareholders' Meeting held on March 28, 2014.

10), 11) Resolution at 17th General Shareholders' Meeting (March 28, 2014)

Date of resolution at General Shareholders' Meeting (Date of resolution at Meeting of the Board of Directors)	March 28, 2014 (October 21, 2014)	March 28, 2014 (January 24, 2015)
Classification and number of persons received (persons)	Directors and employees of the Company's subsidiaries 60	Employees of the Company, and Directors, Audit & Supervisory Board Members and employees of the Company's subsidiaries 5,224
Number of Share Options (share options)*	5,492 [5,484] (Note 1)	3,638 [3,562] (Note 1)
Class, details and number of shares to be issued upon exercise of Share Options (shares)*	Common stock 549,200 [548,400] (Note 1)	Common stock 363,800 [356,200] (Note 1)
Cash payment upon exercise of Share Options*	¥1 per share option (Note 2)	¥1 per share option (Note 2)
Exercise period of Share Options*	From March 29, 2018 to March 27, 2024	From March 29, 2018 to March 27, 2024
Issue price for shares issued through exercise of Share Options and the amount to be included in capital*	Issue price: ¥1,230 Amount to be included in capital: ¥615 (Note 4)	Issue price: ¥1,629 Amount to be included in capital: ¥815 (Note 4)
Conditions for exercise of Share Options*	(Note 3)	(Note 3)
Matters concerning transfer of Share Options*	(Note 6)	(Note 6)
Matters concerning issuance of Share Options accompanying organizational restructuring*	(Note 7)	(Note 7)

(Notes) 1, 2, 4-8 Same as Notes 1, 2, 4-8 of the Share Options of 1), 2) Resolution at 16th General Shareholders' Meeting held on March 28, 2013.

3 Same as Note 3 of the Share Options of 6), 7) Resolution at 17th General Shareholders' Meeting held on March 28, 2014.

12) Resolution at 17th General Shareholders' Meeting (March 28, 2014)

Date of resolution at General Shareholders' Meeting (Date of resolution at Meeting of the Board of Directors)	March 28, 2014 (February 20, 2015)
Classification and number of persons received (persons)	Directors, Audit & Supervisory Board Members and employees of the Company, and Directors and employees of the Company's subsidiaries 72
Number of Share Options (share options)*	3,554 [3,554] (Note 1)
Class, details and number of shares to be issued upon exercise of Share Options (shares)*	Common stock 355,400 [355,400] (Note 1)
Cash payment upon exercise of Share Options*	¥1 per share option (Note 2)
Exercise period of Share Options*	From March 29, 2018 to March 27, 2024
Issue price for shares issued through exercise of Share Options and the amount to be included in capital*	Issue price: ¥1,980 Amount to be included in capital: ¥990 (Note 4)
Conditions for exercise of Share Options*	(Note 3)
Matters concerning transfer of Share Options*	(Note 6)
Matters concerning issuance of Share Options accompanying organizational restructuring*	(Note 7)

(Notes) 1, 2, 4-8 Same as Notes 1, 2, 4-8 of the Share Options of 1), 2) Resolution at 16th General Shareholders' Meeting held on March 28, 2013.

3 Same as Note 3 of the Share Options of 6), 7) Resolution at 17th General Shareholders' Meeting held on March 28, 2014.

13), 14) Resolution at 18th General Shareholders' Meeting (March 27, 2015)

Date of resolution at General Shareholders' Meeting (Date of resolution at Meeting of the Board of Directors)	March 27, 2015 (May 21, 2015)	March 27, 2015 (June 24, 2015)
Classification and number of persons received (persons)	Directors and employees of the Company's subsidiaries 7	Directors and employees of the Company's subsidiaries 17
Number of Share Options (share options)*	65 [65] (Note 1)	353 [353] (Note 1)
Class, details and number of shares to be issued upon exercise of Share Options (shares)*	Common stock 6,500 [6,500] (Note 1)	Common stock 35,300 [35,300] (Note 1)
Cash payment upon exercise of Share Options*	¥1 per share option (Note 2)	¥1 per share option (Note 2)
Exercise period of Share Options*	A. From June 1, 2016 to June 1, 2025 B. From June 1, 2017 to June 1, 2025 C. From June 1, 2018 to June 1, 2025 D. From June 1, 2019 to June 1, 2025	A. From July 1, 2016 to July 1, 2025 B. From July 1, 2017 to July 1, 2025 C. From July 1, 2018 to July 1, 2025 D. From July 1, 2019 to July 1, 2025
Issue price for shares issued through exercise of Share Options and the amount to be included in capital*	A. Issue price: ¥2,055 Amount to be included in capital: ¥1,028 B. Issue price: ¥2,051 Amount to be included in capital: ¥1,026 C. Issue price: ¥2,046 Amount to be included in capital: ¥1,023 D. Issue price: ¥2,042 Amount to be included in capital: ¥1,021 (Note 4)	A. Issue price: ¥2,026 Amount to be included in capital: ¥1,013 B. Issue price: ¥2,022 Amount to be included in capital: ¥1,011 C. Issue price: ¥2,017 Amount to be included in capital: ¥1,009 D. Issue price: ¥2,013 Amount to be included in capital: ¥1,007 (Note 4)
Conditions for exercise of Share Options*	(Note 3)	(Note 3)
Matters concerning transfer of Share Options*	(Note 6)	(Note 6)
Matters concerning issuance of Share Options accompanying organizational restructuring*	(Note 7)	(Note 7)

(Notes) 1, 2, 4-8 Same as Notes 1, 2, 4-8 of the Share Options of 1), 2) Resolution at 16th General Shareholders' Meeting held on March 28, 2013.

3 Conditions for exercise of Share Options

1)-3) Same as Note 3 1)-3) of the Share Options of 1), 2) Resolution at 16th General Shareholders' Meeting held on March 28, 2013.

4) Those who received the allotment of issue of Share Options Displayed in the Exercise period of Share Options may exercise all or a part of the share options. Details of A through D described in exercise period are as follows:
A. 15% of the allotted Share Options.
B. 20% of the allotted Share Options.
C. 30% of the allotted Share Options.
D. 35% of the allotted Share Options.

5) Same as Note 3 4) of the Share Options of 6), 7) Resolution at 17th General Shareholders' Meeting held on March 28, 2014.

15), 16) Resolution at 18th General Shareholders' Meeting (March 27, 2015)

Date of resolution at General Shareholders' Meeting (Date of resolution at Meeting of the Board of Directors)	March 27, 2015 (July 18, 2015)	March 27, 2015 (July 18, 2015)
Classification and number of persons received (persons)	Employees of the Company, and Directors and employees of the Company's subsidiaries 6,003	Audit & Supervisory Board Members of the Company's subsidiaries 2
Number of Share Options (share options)*	7,866 [7,769] (Note 1)	1 [—] (Note 1)
Class, details and number of shares to be issued upon exercise of Share Options (shares)*	Common stock 786,600 [776,900] (Note 1)	Common stock 100 [—] (Note 1)
Cash payment upon exercise of Share Options*	¥1 per share option (Note 2)	¥1 per share option (Note 2)
Exercise period of Share Options*	A. From August 1, 2016 to August 1, 2025 B. From August 1, 2017 to August 1, 2025 C. From August 1, 2018 to August 1, 2025 D. From August 1, 2019 to August 1, 2025	From March 28, 2019 to March 26, 2025
Issue price for shares issued through exercise of Share Options and the amount to be included in capital*	A. Issue price: ¥1,991 Amount to be included in capital: ¥996 B. Issue price: ¥1,986 Amount to be included in capital: ¥993 C. Issue price: ¥1,982 Amount to be included in capital: ¥991 D. Issue price: ¥1,978 Amount to be included in capital: ¥989 (Note 4)	Issue price: ¥1,979 Amount to be included in capital: ¥990 (Note 4)
Conditions for exercise of Share Options*	(Note 3)	(Note 9)
Matters concerning transfer of Share Options*	(Note 6)	(Note 6)
Matters concerning issuance of Share Options accompanying organizational restructuring*	(Note 7)	(Note 7)

(Notes) 1, 2, 4-8 Same as Notes 1, 2, 4-8 of the Share Options of 1), 2) Resolution at 16th General Shareholders' Meeting held on March 28, 2013.

3 Same as Note 3 of the Share Options of 13), 14) Resolution at 18th General Shareholders' Meeting held on March 27, 2015.

9 Same as Note 3 of the Share Options of 6), 7) Resolution at 17th General Shareholders' Meeting held on March 28, 2014.

17), 18) Resolution at 18th General Shareholders' Meeting (March 27, 2015)

Date of resolution at General Shareholders' Meeting (Date of resolution at Meeting of the Board of Directors)	March 27, 2015 (August 20, 2015)	March 27, 2015 (October 17, 2015)
Classification and number of persons received (persons)	Employees of the Company's subsidiaries 2	Directors and employees of the Company's subsidiaries 384
Number of Share Options (share options)*	665 [665] (Note 1)	3,773 [3,745] (Note 1)
Class, details and number of shares to be issued upon exercise of Share Options (shares)*	Common stock 66,500 [66,500] (Note 1)	Common stock 377,300 [374,500] (Note 1)
Cash payment upon exercise of Share Options*	¥1 per share option (Note 2)	¥1 per share option (Note 2)
Exercise period of Share Options*	A. From October 1, 2016 to October 1, 2025 B. From October 1, 2017 to October 1, 2025 C. From October 1, 2018 to October 1, 2025 D. From October 1, 2019 to October 1, 2025	A. From November 1, 2016 to October 31, 2025 B. From November 1, 2017 to October 31, 2025 C. From November 1, 2018 to October 31, 2025 D. From November 1, 2019 to October 31, 2025
Issue price for shares issued through exercise of Share Options and the amount to be included in capital*	A. Issue price: ¥1,553 Amount to be included in capital: ¥777 B. Issue price: ¥1,549 Amount to be included in capital: ¥775 C. Issue price: ¥1,545 Amount to be included in capital: ¥773 D. Issue price: ¥1,540 Amount to be included in capital: ¥770 (Note 4)	A. Issue price: ¥1,683 Amount to be included in capital: ¥842 B. Issue price: ¥1,678 Amount to be included in capital: ¥839 C. Issue price: ¥1,674 Amount to be included in capital: ¥837 D. Issue price: ¥1,670 Amount to be included in capital: ¥835 (Note 4)
Conditions for exercise of Share Options*	(Note 3)	(Note 3)
Matters concerning transfer of Share Options*	(Note 6)	(Note 6)
Matters concerning issuance of Share Options accompanying organizational restructuring*	(Note 7)	(Note 7)

(Notes) 1, 2, 4-8 Same as Notes 1, 2, 4-8 of the Share Options of 1), 2) Resolution at 16th General Shareholders' Meeting held on March 28, 2013.

3 Same as Note 3 of the Share Options of 13), 14) Resolution at 18th General Shareholders' Meeting held on March 27, 2015.

19), 20) Resolution at 18th General Shareholders' Meeting (March 27, 2015)

Date of resolution at General Shareholders' Meeting (Date of resolution at Meeting of the Board of Directors)	March 27, 2015 (January 23, 2016)	March 27, 2015 (January 23, 2016)
Classification and number of persons received (persons)	Employees of the Company, and Directors and employees of the Company's subsidiaries 6,827	Audit & Supervisory Board Members of the Company's subsidiaries 3
Number of Share Options (share options)*	9,892 [9,744] (Note 1)	9 [7] (Note 1)
Class, details and number of shares to be issued upon exercise of Share Options (shares)*	Common stock 989,200 [974,400] (Note 1)	Common stock 900 [700] (Note 1)
Cash payment upon exercise of Share Options*	¥1 per share option (Note 2)	¥1 per share option (Note 2)
Exercise period of Share Options*	A. From February 1, 2017 to January 30, 2026 B. From February 1, 2018 to January 30, 2026 C. From February 1, 2019 to January 30, 2026 D. From February 1, 2020 to January 30, 2026	From March 28, 2019 to March 26, 2025
Issue price for shares issued through exercise of Share Options and the amount to be included in capital*	A. Issue price: ¥1,290 Amount to be included in capital: ¥645 B. Issue price: ¥1,286 Amount to be included in capital: ¥643 C. Issue price: ¥1,282 Amount to be included in capital: ¥641 D. Issue price: ¥1,277 Amount to be included in capital: ¥639 (Note 4)	Issue price: ¥1,281 Amount to be included in capital: ¥641 (Note 4)
Conditions for exercise of Share Options*	(Note 3)	(Note 9)
Matters concerning transfer of Share Options*	(Note 6)	(Note 6)
Matters concerning issuance of Share Options accompanying organizational restructuring*	(Note 7)	(Note 7)

(Notes) 1, 2, 4-8 Same as Notes 1, 2, 4-8 of the Share Options of 1), 2) Resolution at 16th General Shareholders' Meeting held on March 28, 2013.

3 Same as Note 3 of the Share Options of 13), 14) Resolution at 18th General Shareholders' Meeting held on March 27, 2015.

9 Same as Note 3 of the Share Options of 6), 7) Resolution at 17th General Shareholders' Meeting held on March 28, 2014.

21), 22) Resolution at 18th General Shareholders' Meeting (March 27, 2015)

Date of resolution at General Shareholders' Meeting (Date of resolution at Meeting of the Board of Directors)	March 27, 2015 (February 18, 2016)	March 27, 2015 (February 18, 2016)
Classification and number of persons received (persons)	Directors and employees of the Company, and employees of the Company's subsidiaries 108	Outside Directors and Audit & Supervisory Board Members of the Company 8
Number of Share Options (share options)*	3,065 [3,065] (Note 1)	45 [45] (Note 1)
Class, details and number of shares to be issued upon exercise of Share Options (shares)*	Common stock 306,500 [306,500] (Note 1)	Common stock 4,500 [4,500] (Note 1)
Cash payment upon exercise of Share Options*	¥1 per share option (Note 2)	¥1 per share option (Note 2)
Exercise period of Share Options*	A. From March 1, 2017 to February 27, 2026 B. From March 1, 2018 to February 27, 2026 C. From March 1, 2019 to February 27, 2026 D. From March 1, 2020 to February 27, 2026	From March 28, 2019 to March 26, 2025
Issue price for shares issued through exercise of Share Options and the amount to be included in capital*	A. Issue price: ¥1,069 Amount to be included in capital: ¥535 B. Issue price: ¥1,065 Amount to be included in capital: ¥533 C. Issue price: ¥1,060 Amount to be included in capital: ¥530 D. Issue price: ¥1,056 Amount to be included in capital: ¥528 (Note 4)	Issue price: ¥1,060 Amount to be included in capital: ¥530 (Note 4)
Conditions for exercise of Share Options*	(Note 3)	(Note 9)
Matters concerning transfer of Share Options*	(Note 6)	(Note 6)
Matters concerning issuance of Share Options accompanying organizational restructuring*	(Note 7)	(Note 7)

(Notes) 1, 2, 4-8 Same as Note 1, 2, 4-8 of the Share Options of 1), 2) Resolution at 16th General Shareholders' Meeting held on March 28, 2013.

3 Same as Note 3 of the Share Options of 13), 14) Resolution at 18th General Shareholders' Meeting held on March 27, 2015.

9 Same as Note 3 of the Share Options of 6), 7) Resolution at 17th General Shareholders' Meeting held on March 28, 2014.

23), 24) Resolution at 19th General Shareholders' Meeting (March 30, 2016)

Date of resolution at General Shareholders' Meeting (Date of resolution at Meeting of the Board of Directors)	March 30, 2016 (April 28, 2016)	March 30, 2016 (July 22, 2016)
Classification and number of persons received (persons)	Directors and employees of the Company's subsidiaries 272	Directors and employees of the Company, and Directors and employees of the Company's subsidiaries 6,973
Number of Share Options (share options)*	4,132 [4,126] (Note 1)	13,403 [13,232] (Note 1)
Class, details and number of shares to be issued upon exercise of Share Options (shares)*	Common stock 413,200 [412,600] (Note 1)	Common stock 1,340,300 [1,323,200] (Note 1)
Cash payment upon exercise of Share Options*	¥1 per share option (Note 2)	¥1 per share option (Note 2)
Exercise period of Share Options*	A. From May 1, 2017 to May 1, 2026 B. From May 1, 2018 to May 1, 2026 C. From May 1, 2019 to May 1, 2026 D. From May 1, 2020 to May 1, 2026	A. From August 1, 2017 to July 31, 2026 B. From August 1, 2018 to July 31, 2026 C. From August 1, 2019 to July 31, 2026 D. From August 1, 2020 to July 31, 2026
Issue price for shares issued through exercise of Share Options and the amount to be included in capital*	A. Issue price: ¥1,216 Amount to be included in capital: ¥608 B. Issue price: ¥1,212 Amount to be included in capital: ¥606 C. Issue price: ¥1,207 Amount to be included in capital: ¥604 D. Issue price: ¥1,203 Amount to be included in capital: ¥602 (Note 4)	A. Issue price: ¥1,184 Amount to be included in capital: ¥592 B. Issue price: ¥1,180 Amount to be included in capital: ¥590 C. Issue price: ¥1,176 Amount to be included in capital: ¥588 D. Issue price: ¥1,171 Amount to be included in capital: ¥586 (Note 4)
Conditions for exercise of Share Options*	(Note 3)	(Note 3)
Matters concerning transfer of Share Options*	(Note 6)	(Note 6)
Matters concerning issuance of Share Options accompanying organizational restructuring*	(Note 7)	(Note 7)

(Notes) 1, 2, 4-8 Same as Notes 1, 2, 4-8 of the Share Options of 1), 2) Resolution at 16th General Shareholders' Meeting held on March 28, 2013.

3 Same as Note 3 of the Share Options of 13), 14) Resolution at 18th General Shareholders' Meeting held on March 27, 2015.

25), 26) Resolution at 19th General Shareholders' Meeting (March 30, 2016)

Date of resolution at General Shareholders' Meeting (Date of resolution at Meeting of the Board of Directors)	March 30, 2016 (August 4, 2016)	March 30, 2016 (October 28, 2016)
Classification and number of persons received (persons)	Audit & Supervisory Board Members of the Company's subsidiaries 3	Employees of the Company's subsidiaries 390
Number of Share Options (share options)*	18 [16] (Note 1)	2,991 [2,991] (Note 1)
Class, details and number of shares to be issued upon exercise of Share Options (shares)*	Common stock 1,800 [1,600] (Note 1)	Common stock 299,100 [299,100] (Note 1)
Cash payment upon exercise of Share Options*	¥1 per share option (Note 2)	¥1 per share option (Note 2)
Exercise period of Share Options*	From March 31, 2020 to March 29, 2026	A. From November 1, 2017 to October 30, 2026 B. From November 1, 2018 to October 30, 2026 C. From November 1, 2019 to October 30, 2026 D. From November 1, 2020 to October 30, 2026
Issue price for shares issued through exercise of Share Options and the amount to be included in capital*	Issue price: ¥1,316 Amount to be included in capital: ¥658 (Note 4)	A. Issue price: ¥1,214 Amount to be included in capital: ¥607 B. Issue price: ¥1,210 Amount to be included in capital: ¥605 C. Issue price: ¥1,206 Amount to be included in capital: ¥603 D. Issue price: ¥1,201 Amount to be included in capital: ¥601 (Note 4)
Conditions for exercise of Share Options*	(Note 9)	(Note 3)
Matters concerning transfer of Share Options*	(Note 6)	(Note 6)
Matters concerning issuance of Share Options accompanying organizational restructuring*	(Note 7)	(Note 7)

(Notes) 1, 2, 4-8 Same as Notes 1, 2, 4-8 of the Share Options of 1), 2) Resolution at 16th General Shareholders' Meeting held on March 28, 2013.

3 Same as Note 3 of the Share Options of 13), 14) Resolution at 18th General Shareholders' Meeting held on March 27, 2015.

9 Same as Note 3 of the Share Options of 6), 7) Resolution at 17th General Shareholders' Meeting held on March 28, 2014.

27), 28) Resolution at 19th General Shareholders' Meeting (March 30, 2016)

Date of resolution at General Shareholders' Meeting (Date of resolution at Meeting of the Board of Directors)	March 30, 2016 (January 21, 2017)	March 30, 2016 (January 21, 2017)
Classification and number of persons received (persons)	Audit & Supervisory Board Members of the Company's subsidiaries 3	Employees of the Company, and Directors and employees of the Company's subsidiaries 6,996
Number of Share Options (share options)*	19 [17] (Note 1)	11,503 [11,273] (Note 1)
Class, details and number of shares to be issued upon exercise of Share Options (shares)*	Common stock 1,900 [1,700] (Note 1)	Common stock 1,150,300 [1,127,300] (Note 1)
Cash payment upon exercise of Share Options*	¥1 per share option (Note 2)	¥1 per share option (Note 2)
Exercise period of Share Options*	From March 31, 2020 to March 29, 2026	A. From February 1, 2018 to February 1, 2027 B. From February 1, 2019 to February 1, 2027 C. From February 1, 2020 to February 1, 2027 D. From February 1, 2021 to February 1, 2027
Issue price for shares issued through exercise of Share Options and the amount to be included in capital*	Issue price: ¥1,092 Amount to be included in capital: ¥546 (Note 4)	A. Issue price: ¥1,101 Amount to be included in capital: ¥551 B. Issue price: ¥1,097 Amount to be included in capital: ¥549 C. Issue price: ¥1,093 Amount to be included in capital: ¥547 D. Issue price: ¥1,088 Amount to be included in capital: ¥544 (Note 4)
Conditions for exercise of Share Options*	(Note 9)	(Note 3)
Matters concerning transfer of Share Options*	(Note 6)	(Note 6)
Matters concerning issuance of Share Options accompanying organizational restructuring*	(Note 7)	(Note 7)

(Notes) 1, 2, 4-8 Same as Notes 1, 2, 4-8 of the Share Options of 1), 2) Resolution at 16th General Shareholders' Meeting held on March 28, 2013.

3 Same as Note 3 of the Share Options of 13), 14) Resolution at 18th General Shareholders' Meeting held on March 27, 2015.

9 Same as Note 3 of the Share Options of 6), 7) Resolution at 17th General Shareholders' Meeting held on March 28, 2014.

29), 30) Resolution at 19th General Shareholders' Meeting (March 30, 2016)

Date of resolution at General Shareholders' Meeting (Date of resolution at Meeting of the Board of Directors)	March 30, 2016 (January 21, 2017)	March 30, 2016 (February 20, 2017)
Classification and number of persons received (persons)	Employees of the Company and employees of the Company's subsidiaries 299	Outside Directors and Audit & Supervisory Board Members of the Company 9
Number of Share Options (share options)*	1,292 [1,276] (Note 1)	72 [72] (Note 1)
Class, details and number of shares to be issued upon exercise of Share Options (shares)*	Common stock 129,200 [127,600] (Note 1)	Common stock 7,200 [7,200] (Note 1)
Cash payment upon exercise of Share Options*	¥1 per share option (Note 2)	¥1 per share option (Note 2)
Exercise period of Share Options*	A. From March 1, 2018 to March 1, 2027 B. From March 1, 2019 to March 1, 2027 C. From March 1, 2020 to March 1, 2027 D. From March 1, 2021 to March 1, 2027	From March 31, 2020 to March 29, 2026
Issue price for shares issued through exercise of Share Options and the amount to be included in capital*	A. Issue price: ¥1,114 Amount to be included in capital: ¥557 B. Issue price: ¥1,110 Amount to be included in capital: ¥555 C. Issue price: ¥1,106 Amount to be included in capital: ¥553 D. Issue price: ¥1,101 Amount to be included in capital: ¥551 (Note 4)	Issue price: ¥1,105 Amount to be included in capital: ¥553 (Note 4)
Conditions for exercise of Share Options*	(Note 3)	(Note 9)
Matters concerning transfer of Share Options*	(Note 6)	(Note 6)
Matters concerning issuance of Share Options accompanying organizational restructuring*	(Note 7)	(Note 7)

(Notes) 1, 2, 4-8 Same as Notes 1, 2, 4-8 of the Share Options of 1), 2) Resolution at 16th General Shareholders' Meeting held on March 28, 2013.

3 Same as Note 3 of the Share Options of 13), 14) Resolution at 18th General Shareholders' Meeting held on March 27, 2015.

9 Same as Note 3 of the Share Options of 6), 7) Resolution at 17th General Shareholders' Meeting held on March 28, 2014.

31) Resolution at 19th General Shareholders' Meeting (March 30, 2016)

Date of resolution at General Shareholders' Meeting (Date of resolution at Meeting of the Board of Directors)	March 30, 2016 (February 20, 2017)
Classification and number of persons received (persons)	Directors and employees of the Company, and Directors and employees of the Company's subsidiaries 244
Number of Share Options (share options)*	5,867 [5,832] (Note 1)
Class, details and number of shares to be issued upon exercise of Share Options (shares)*	Common stock 586,700 [583,200] (Note 1)
Cash payment upon exercise of Share Options*	¥1 per share option (Note 2)
Exercise period of Share Options*	A. From March 1, 2018 to March 1, 2027 B. From March 1, 2019 to March 1, 2027 C. From March 1, 2020 to March 1, 2027 D. From March 1, 2021 to March 1, 2027
Issue price for shares issued through exercise of Share Options and the amount to be included in capital*	A. Issue price: ¥1,114 Amount to be included in capital: ¥557 B. Issue price: ¥1,110 Amount to be included in capital: ¥555 C. Issue price: ¥1,106 Amount to be included in capital: ¥553 D. Issue price: ¥1,101 Amount to be included in capital: ¥551 (Note 4)
Conditions for exercise of Share Options*	(Note 3)
Matters concerning transfer of Share Options*	(Note 6)
Matters concerning issuance of Share Options accompanying organizational restructuring*	(Note 7)

(Notes) 1, 2, 4-8 Same as Notes 1, 2, 4-8 of the Share Options of 1), 2) Resolution at 16th General Shareholders' Meeting held on March 28, 2013.

3 Same as Note 3 of the Share Options of 13), 14) Resolution at 18th General Shareholders' Meeting held on March 27, 2015.

32), 33) Resolution at 20th General Shareholders' Meeting (March 30, 2017)

Date of resolution at General Shareholders' Meeting (Date of resolution at Meeting of the Board of Directors)	March 30, 2017 (April 24, 2017)	March 30, 2017 (July 28, 2017)
Classification and number of persons received (persons)	Directors and employees of the Company's subsidiaries 442	Audit & Supervisory Board Members of the Company's subsidiaries 2
Number of Share Options (share options)*	7,224 [7,224] (Note 1)	9 [7] (Note 1)
Class, details and number of shares to be issued upon exercise of Share Options (shares)*	Common stock 722,400 [722,400] (Note 1)	Common stock 900 [700] (Note 1)
Cash payment upon exercise of Share Options*	¥1 per share option (Note 2)	¥1 per share option (Note 2)
Exercise period of Share Options*	A. From May 1, 2018 to April 30, 2027 B. From May 1, 2019 to April 30, 2027 C. From May 1, 2020 to April 30, 2027 D. From May 1, 2021 to April 30, 2027	From March 31, 2021 to March 29, 2027
Issue price for shares issued through exercise of Share Options and the amount to be included in capital*	A. Issue price: ¥1,128 Amount to be included in capital: ¥564 B. Issue price: ¥1,124 Amount to be included in capital: ¥562 C. Issue price: ¥1,120 Amount to be included in capital: ¥560 D. Issue price: ¥1,115 Amount to be included in capital: ¥558 (Note 4)	Issue price: ¥1,333 Amount to be included in capital: ¥667 (Note 4)
Conditions for exercise of Share Options*	(Note 3)	(Note 9)
Matters concerning transfer of Share Options*	(Note 6)	(Note 6)
Matters concerning issuance of Share Options accompanying organizational restructuring*	(Note 7)	(Note 7)

(Notes) 1, 2, 4-8 Same as Notes 1, 2, 4-8 of the Share Options of 1), 2) Resolution at 16th General Shareholders' Meeting held on March 28, 2013.

3 Same as Note 3 of the Share Options of 13), 14) Resolution at 18th General Shareholders' Meeting held on March 27, 2015.

9 Same as Note 3 of the Share Options of 6), 7) Resolution at 17th General Shareholders' Meeting held on March 28, 2014.

34), 35) Resolution at 20th General Shareholders' Meeting (March 30, 2017)

Date of resolution at General Shareholders' Meeting (Date of resolution at Meeting of the Board of Directors)	March 30, 2017 (July 28, 2017)	March 30, 2017 (October 24, 2017)
Classification and number of persons received (persons)	Employees of the Company, and Directors and employees of the Company's subsidiaries 7,378	Directors and employees of the Company's subsidiaries 510
Number of Share Options (share options)*	16,069 [15,872] (Note 1)	5,764 [5,712] (Note 1)
Class, details and number of shares to be issued upon exercise of Share Options (shares)*	Common stock 1,606,900 [1,587,200] (Note 1)	Common stock 576,400 [571,200] (Note 1)
Cash payment upon exercise of Share Options*	¥1 per share option (Note 2)	¥1 per share option (Note 2)
Exercise period of Share Options*	A. From August 1, 2018 to July 30, 2027 B. From August 1, 2019 to July 30, 2027 C. From August 1, 2020 to July 30, 2027 D. From August 1, 2021 to July 30, 2027	A. From November 1, 2018 to November 1, 2027 B. From November 1, 2019 to November 1, 2027 C. From November 1, 2020 to November 1, 2027 D. From November 1, 2021 to November 1, 2027
Issue price for shares issued through exercise of Share Options and the amount to be included in capital*	A. Issue price: ¥1,345 Amount to be included in capital: ¥673 B. Issue price: ¥1,341 Amount to be included in capital: ¥671 C. Issue price: ¥1,336 Amount to be included in capital: ¥668 D. Issue price: ¥1,332 Amount to be included in capital: ¥666 (Note 4)	A. Issue price: ¥1,188 Amount to be included in capital: ¥594 B. Issue price: ¥1,184 Amount to be included in capital: ¥592 C. Issue price: ¥1,179 Amount to be included in capital: ¥590 D. Issue price: ¥1,175 Amount to be included in capital: ¥588 (Note 4)
Conditions for exercise of Share Options*	(Note 3)	(Note 3)
Matters concerning transfer of Share Options*	(Note 6)	(Note 6)
Matters concerning issuance of Share Options accompanying organizational restructuring*	(Note 7)	(Note 7)

(Notes) 1, 2, 4-8 Same as Notes 1, 2, 4-8 of the Share Options of 1), 2) Resolution at 16th General Shareholders' Meeting held on March 28, 2013.

3 Same as Note 3 of the Share Options of 13), 14) Resolution at 18th General Shareholders' Meeting held on March 27, 2015.

36), 37) Resolution at 20th General Shareholders' Meeting (March 30, 2017)

Date of resolution at General Shareholders' Meeting (Date of resolution at Meeting of the Board of Directors)	March 30, 2017 (December 14, 2017)	March 30, 2017 (January 18, 2018)
Classification and number of persons received (persons)	Employees of the Company's subsidiaries 272	Audit & Supervisory Board Members of the Company's subsidiaries 3
Number of Share Options (share options)*	365 [364] (Note 1)	11 [9] (Note 1)
Class, details and number of shares to be issued upon exercise of Share Options (shares)*	Common stock 36,500 [36,400] (Note 1)	Common stock 1,100 [900] (Note 1)
Cash payment upon exercise of Share Options*	¥1 per share option (Note 2)	¥1 per share option (Note 2)
Exercise period of Share Options*	A. From January 1, 2019 to December 29, 2027 B. From January 1, 2020 to December 29, 2027 C. From January 1, 2021 to December 29, 2027 D. From January 1, 2022 to December 29, 2027	From March 31, 2021 to March 29, 2027
Issue price for shares issued through exercise of Share Options and the amount to be included in capital*	A. Issue price: ¥1,027 Amount to be included in capital: ¥514 B. Issue price: ¥1,023 Amount to be included in capital: ¥512 C. Issue price: ¥1,019 Amount to be included in capital: ¥510 D. Issue price: ¥1,014 Amount to be included in capital: ¥507 (Note 4)	Issue price: ¥972 Amount to be included in capital: ¥486 (Note 4)
Conditions for exercise of Share Options*	(Note 3)	(Note 9)
Matters concerning transfer of Share Options*	(Note 6)	(Note 6)
Matters concerning issuance of Share Options accompanying organizational restructuring*	(Note 7)	(Note 7)

(Notes) 1, 2, 4-8 Same as Notes 1, 2, 4-8 of the Share Options of 1), 2) Resolution at 16th General Shareholders' Meeting held on March 28, 2013.

3 Same as Note 3 of the Share Options of 13), 14) Resolution at 18th General Shareholders' Meeting held on March 27, 2015.

9 Same as Note 3 of the Share Options of 6), 7) Resolution at 17th General Shareholders' Meeting held on March 28, 2014.

38), 39) Resolution at 20th General Shareholders' Meeting (March 30, 2017)

Date of resolution at General Shareholders' Meeting (Date of resolution at Meeting of the Board of Directors)	March 30, 2017 (January 18, 2018)	March 30, 2017 (January 18, 2018)
Classification and number of persons received (persons)	Employees of the Company, and Directors and employees of the Company's subsidiaries 7,318	Employees of the Company's subsidiaries 317
Number of Share Options (share options)*	14,712 [14,444] (Note 1)	1,722 [1,677] (Note 1)
Class, details and number of shares to be issued upon exercise of Share Options (shares)*	Common stock 1,471,200 [1,444,400] (Note 1)	Common stock 172,200 [167,700] (Note 1)
Cash payment upon exercise of Share Options*	¥1 per share option (Note 2)	¥1 per share option (Note 2)
Exercise period of Share Options*	A. From February 1, 2019 to February 1, 2028 B. From February 1, 2020 to February 1, 2028 C. From February 1, 2021 to February 1, 2028 D. From February 1, 2022 to February 1, 2028	A. From March 1, 2019 to March 1, 2028 B. From March 1, 2020 to March 1, 2028 C. From March 1, 2021 to March 1, 2028 D. From March 1, 2022 to March 1, 2028
Issue price for shares issued through exercise of Share Options and the amount to be included in capital*	A. Issue price: ¥981 Amount to be included in capital: ¥491 B. Issue price: ¥977 Amount to be included in capital: ¥489 C. Issue price: ¥972 Amount to be included in capital: ¥486 D. Issue price: ¥968 Amount to be included in capital: ¥484 (Note 4)	A. Issue price: ¥948 Amount to be included in capital: ¥474 B. Issue price: ¥943 Amount to be included in capital: ¥472 C. Issue price: ¥939 Amount to be included in capital: ¥470 D. Issue price: ¥935 Amount to be included in capital: ¥468 (Note 4)
Conditions for exercise of Share Options*	(Note 3)	(Note 3)
Matters concerning transfer of Share Options*	(Note 6)	(Note 6)
Matters concerning issuance of Share Options accompanying organizational restructuring*	(Note 7)	(Note 7)

(Notes) 1, 2, 4-8 Same as Notes 1, 2, 4-8 of the Share Options of 1), 2) Resolution at 16th General Shareholders' Meeting held on March 28, 2013.

3 Same as Note 3 of the Share Options of 13), 14) Resolution at 18th General Shareholders' Meeting held on March 27, 2015.

40), 41) Resolution at 20th General Shareholders' Meeting (March 30, 2017)

Date of resolution at General Shareholders' Meeting (Date of resolution at Meeting of the Board of Directors)	March 30, 2017 (February 19, 2018)	March 30, 2017 (February 19, 2018)
Classification and number of persons received (persons)	Outside Directors and Audit & Supervisory Board Members of the Company 9	Directors and employees of the Company, and Directors and employees of the Company's subsidiaries 117
Number of Share Options (share options)*	105 [105] (Note 1)	8,368 [8,301] (Note 1)
Class, details and number of shares to be issued upon exercise of Share Options (shares)*	Common stock 10,500 [10,500] (Note 1)	Common stock 836,800 [830,100] (Note 1)
Cash payment upon exercise of Share Options*	¥1 per share option (Note 2)	¥1 per share option (Note 2)
Exercise period of Share Options*	From March 31, 2021 to March 29, 2027	A. From March 1, 2019 to March 1, 2028 B. From March 1, 2020 to March 1, 2028 C. From March 1, 2021 to March 1, 2028 D. From March 1, 2022 to March 1, 2028
Issue price for shares issued through exercise of Share Options and the amount to be included in capital*	Issue price: ¥939 Amount to be included in capital: ¥470 (Note 4)	A. Issue price: ¥948 Amount to be included in capital: ¥474 B. Issue price: ¥943 Amount to be included in capital: ¥472 C. Issue price: ¥939 Amount to be included in capital: ¥470 D. Issue price: ¥935 Amount to be included in capital: ¥468 (Note 4)
Conditions for exercise of Share Options*	(Note 9)	(Note 3)
Matters concerning transfer of Share Options*	(Note 6)	(Note 6)
Matters concerning issuance of Share Options accompanying organizational restructuring*	(Note 7)	(Note 7)

(Notes) 1, 2, 4-8 Same as Notes 1, 2, 4-8 of the Share Options of 1), 2) Resolution at 16th General Shareholders' Meeting held on March 28, 2013.

3 Same as Note 3 of the Share Options of 13), 14) Resolution at 18th General Shareholders' Meeting held on March 27, 2015.

9 Same as Note 3 of the Share Options of 6), 7) Resolution at 17th General Shareholders' Meeting held on March 28, 2014.

42), 43) Resolution at 21st General Shareholders' Meeting (March 29, 2018)

Date of resolution at General Shareholders' Meeting (Date of resolution at Meeting of the Board of Directors)	March 29, 2018 (April 27, 2018)	March 29, 2018 (July 27, 2018)
Classification and number of persons received (persons)	Directors of the Company, and Directors and employees of the Company's subsidiaries 1,264	Directors and employees of the Company's subsidiaries 7,503
Number of Share Options (share options)*	16,916 [16,857] (Note 1)	37,105 [36,416] (Note 1)
Class, details and number of shares to be issued upon exercise of Share Options (shares)*	Common stock 1,691,600 [1,685,700] (Note 1)	Common stock 3,710,500 [3,641,600] (Note 1)
Cash payment upon exercise of Share Options*	¥1 per share option (Note 2)	¥1 per share option (Note 2)
Exercise period of Share Options*	A. From May 1, 2019 to May 1, 2028 B. From May 1, 2020 to May 1, 2028 C. From May 1, 2021 to May 1, 2028 D. From May 1, 2022 to May 1, 2028	A. From August 1, 2019 to August 1, 2028 B. From August 1, 2020 to August 1, 2028 C. From August 1, 2021 to August 1, 2028 D. From August 1, 2022 to August 1, 2028
Issue price for shares issued through exercise of Share Options and the amount to be included in capital*	A. Issue price: ¥795 Amount to be included in capital: ¥398 B. Issue price: ¥790 Amount to be included in capital: ¥395 C. Issue price: ¥786 Amount to be included in capital: ¥393 D. Issue price: ¥782 Amount to be included in capital: ¥391 (Note 4)	A. Issue price: ¥777 Amount to be included in capital: ¥389 B. Issue price: ¥773 Amount to be included in capital: ¥387 C. Issue price: ¥768 Amount to be included in capital: ¥384 D. Issue price: ¥764 Amount to be included in capital: ¥382 (Note 4)
Conditions for exercise of Share Options*	(Note 3)	(Note 3)
Matters concerning transfer of Share Options*	(Note 6)	(Note 6)
Matters concerning issuance of Share Options accompanying organizational restructuring*	(Note 7)	(Note 7)

(Notes) 1, 2, 4-8 Same as Notes 1, 2, 4-8 of the Share Options of 1), 2) Resolution at 16th General Shareholders' Meeting held on March 28, 2013.

3 Same as Note 3 of the Share Options of 13), 14) Resolution at 18th General Shareholders' Meeting held on March 27, 2015.

44), 45) Resolution at 21st General Shareholders' Meeting (March 29, 2018)

Date of resolution at General Shareholders' Meeting (Date of resolution at Meeting of the Board of Directors)	March 29, 2018 (October 26, 2018)	March 29, 2018 (January 18, 2019)
Classification and number of persons received (persons)	Directors and employees of the Company's subsidiaries 219	Employees of the Company, and Directors and employees of the Company's subsidiaries 8,417
Number of Share Options (share options)*	3,557 [3,468] (Note 1)	37,899 [34,917] (Note 1)
Class, details and number of shares to be issued upon exercise of Share Options (shares)*	Common stock 355,700 [346,800] (Note 1)	Common stock 3,789,900 [3,491,700] (Note 1)
Cash payment upon exercise of Share Options*	¥1 per share option (Note 2)	¥1 per share option (Note 2)
Exercise period of Share Options*	A. From November 1, 2019 to November 1, 2028 B. From November 1, 2020 to November 1, 2028 C. From November 1, 2021 to November 1, 2028 D. From November 1, 2022 to November 1, 2028	A. From February 1, 2020 to February 1, 2029 B. From February 1, 2021 to February 1, 2029 C. From February 1, 2022 to February 1, 2029 D. From February 1, 2023 to February 1, 2029
Issue price for shares issued through exercise of Share Options and the amount to be included in capital*	A. Issue price: ¥783 Amount to be included in capital: ¥392 B. Issue price: ¥778 Amount to be included in capital: ¥389 C. Issue price: ¥774 Amount to be included in capital: ¥387 D. Issue price: ¥769 Amount to be included in capital: ¥385 (Note 4)	A. Issue price: ¥798 Amount to be included in capital: ¥399 B. Issue price: ¥793 Amount to be included in capital: ¥397 C. Issue price: ¥789 Amount to be included in capital: ¥395 D. Issue price: ¥784 Amount to be included in capital: ¥392 (Note 4)
Conditions for exercise of Share Options*	(Note 3)	(Note 3)
Matters concerning transfer of Share Options*	(Note 6)	(Note 6)
Matters concerning issuance of Share Options accompanying organizational restructuring*	(Note 7)	(Note 7)

(Notes) 1, 2, 4-8 Same as Notes 1, 2, 4-8 of the Share Options of 1), 2) Resolution at 16th General Shareholders' Meeting held on March 28, 2013.

3 Same as Note 3 of the Share Options of 13), 14) Resolution at 18th General Shareholders' Meeting held on March 27, 2015.

46), 47) Resolution at 21st General Shareholders' Meeting (March 29, 2018)

Date of resolution at General Shareholders' Meeting (Date of resolution at Meeting of the Board of Directors)	March 29, 2018 (January 18, 2019)	March 29, 2018 (February 22, 2019)
Classification and number of persons received (persons)	Employees of the Company's subsidiaries 321	Employees of the Company, and Directors and employees of the Company's subsidiaries 20
Number of Share Options (share options)*	2,867 [2,827] (Note 1)	757 [757] (Note 1)
Class, details and number of shares to be issued upon exercise of Share Options (shares)*	Common stock 286,700 [282,700] (Note 1)	Common stock 75,700 [75,700] (Note 1)
Cash payment upon exercise of Share Options*	¥1 per share option (Note 2)	¥1 per share option (Note 2)
Exercise period of Share Options*	A. From March 1, 2020 to March 1, 2029 B. From March 1, 2021 to March 1, 2029 C. From March 1, 2022 to March 1, 2029 D. From March 1, 2023 to March 1, 2029	A. From March 1, 2020 to March 1, 2029 B. From March 1, 2021 to March 1, 2029 C. From March 1, 2022 to March 1, 2029 D. From March 1, 2023 to March 1, 2029
Issue price for shares issued through exercise of Share Options and the amount to be included in capital*	A. Issue price: ¥880 Amount to be included in capital: ¥440 B. Issue price: ¥875 Amount to be included in capital: ¥438 C. Issue price: ¥871 Amount to be included in capital: ¥436 D. Issue price: ¥866 Amount to be included in capital: ¥433 (Note 4)	A. Issue price: ¥880 Amount to be included in capital: ¥440 B. Issue price: ¥875 Amount to be included in capital: ¥438 C. Issue price: ¥871 Amount to be included in capital: ¥436 D. Issue price: ¥866 Amount to be included in capital: ¥433 (Note 4)
Conditions for exercise of Share Options*	(Note 3)	(Note 3)
Matters concerning transfer of Share Options*	(Note 6)	(Note 6)
Matters concerning issuance of Share Options accompanying organizational restructuring*	(Note 7)	(Note 7)

(Notes) 1, 2, 4-8 Same as Notes 1, 2, 4-8 of the Share Options of 1), 2) Resolution at 16th General Shareholders' Meeting held on March 28, 2013.

3 Same as Note 3 of the Share Options of 13), 14) Resolution at 18th General Shareholders' Meeting held on March 27, 2015.

48), 49) Resolution at 22nd General Shareholders' Meeting (March 28, 2019)

Date of resolution at General Shareholders' Meeting (Date of resolution at Meeting of the Board of Directors)	March 28, 2019 (April 26, 2019)	March 28, 2019 (April 26, 2019)
Classification and number of persons received (persons)	Employees of the Company, and Directors and employees of the Company's subsidiaries 1,501	Directors of the Company who serve concurrently as Executive Officers of the Company and Executive Officers of the Company 55
Number of Share Options (share options)*	30,569 [30,323] (Note 1)	9,241 [9,241] (Note 1)
Class, details and number of shares to be issued upon exercise of Share Options (shares)*	Common stock 3,056,900 [3,032,300] (Note 1)	Common stock 924,100 [924,100] (Note 1)
Cash payment upon exercise of Share Options*	¥1 per share option (Note 2)	¥1 per share option (Note 2)
Exercise period of Share Options*	A. From May 1, 2020 to May 1, 2029 B. From May 1, 2021 to May 1, 2029 C. From May 1, 2022 to May 1, 2029 D. From May 1, 2023 to May 1, 2029	From November 1, 2019 to May 1, 2059 The Company may change the schedule during which holders of Share Options can exercise the Share Options.
Issue price for shares issued through exercise of Share Options and the amount to be included in capital*	A. Issue price: ¥1,195 Amount to be included in capital: ¥598 B. Issue price: ¥1,191 Amount to be included in capital: ¥596 C. Issue price: ¥1,187 Amount to be included in capital: ¥594 D. Issue price: ¥1,182 Amount to be included in capital: ¥591 (Note 4)	Issue price: ¥1,175 Amount to be included in capital: ¥588 (Note 4)
Conditions for exercise of Share Options*	(Note 3)	(Note 9)
Matters concerning transfer of Share Options*	(Note 6)	(Note 6)
Matters concerning issuance of Share Options accompanying organizational restructuring*	(Note 7)	(Note 7)

(Notes) 1, 2, 4-8 Same as Notes 1, 2, 4-8 of the Share Options of 1), 2) Resolution at 16th General Shareholders' Meeting held on March 28, 2013.

3 Conditions for exercise of Share Options

1) Holders of Share Options remain Directors (excluding Outside Directors), Executive Officers, Audit & Supervisory Board Members or employees of the Company, or its subsidiaries or affiliates at the time of exercising such rights; provided, however, that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances and in the event where the Holders of Share Options have made applications for the exercise of Share Options in accordance with the procedures prescribed by the Company by the date of retirement (or by the application date immediately following the date of retirement if it is recognized that there are justifiable grounds for not being able to make the application by the date of retirement).

2)-5) Same as Notes 3 2)-5) of the Share Options of 13), 14) Resolution at 18th General Shareholders' Meeting held on March 27, 2015.

9 Conditions for exercise of Share Options

1) Holders of Share Options shall exercise such rights within ten days from the date following the date on which they retire as Directors, Executive Officers, Audit & Supervisory Board Members and employees.

2)-4) Same as Notes 3 2)-4) of the Share Options of 6), 7) Resolution at 17th General Shareholders' Meeting held on March 28, 2014.

50), 51) Resolution at 22nd General Shareholders' Meeting (March 28, 2019)

Date of resolution at General Shareholders' Meeting (Date of resolution at Meeting of the Board of Directors)	March 28, 2019 (July 26, 2019)	March 28, 2019 (October 25, 2019)
Classification and number of persons received (persons)	Employees of the Company, and Directors and employees of the Company's subsidiaries 8,284	Employees of the Company's subsidiaries 1,029
Number of Share Options (share options)*	17,880 [17,614] (Note 1)	25,789 [25,162] (Note 1)
Class, details and number of shares to be issued upon exercise of Share Options (shares)*	Common stock 1,788,000 [1,761,400] (Note 1)	Common stock 2,578,900 [2,516,200] (Note 1)
Cash payment upon exercise of Share Options*	¥1 per share option (Note 2)	¥1 per share option (Note 2)
Exercise period of Share Options*	A. From August 1, 2020 to August 1, 2029 B. From August 1, 2021 to August 1, 2029 C. From August 1, 2022 to August 1, 2029 D. From August 1, 2023 to August 1, 2029	A. From November 1, 2020 to November 1, 2029 B. From November 1, 2021 to November 1, 2029 C. From November 1, 2022 to November 1, 2029 D. From November 1, 2023 to November 1, 2029
Issue price for shares issued through exercise of Share Options and the amount to be included in capital*	A. Issue price: ¥1,118 Amount to be included in capital: ¥559 B. Issue price: ¥1,114 Amount to be included in capital: ¥557 C. Issue price: ¥1,110 Amount to be included in capital: ¥555 D. Issue price: ¥1,105 Amount to be included in capital: ¥553 (Note 4)	A. Issue price: ¥1,019 Amount to be included in capital: ¥510 B. Issue price: ¥1,015 Amount to be included in capital: ¥508 C. Issue price: ¥1,011 Amount to be included in capital: ¥506 D. Issue price: ¥1,006 Amount to be included in capital: ¥503 (Note 4)
Conditions for exercise of Share Options*	(Note 3)	(Note 3)
Matters concerning transfer of Share Options*	(Note 6)	(Note 6)
Matters concerning issuance of Share Options accompanying organizational restructuring*	(Note 7)	(Note 7)

(Notes) 1, 2, 4-8 Same as Notes 1, 2, 4-8 of the Share Options of 1), 2) Resolution at 16th General Shareholders' Meeting held on March 28, 2013.

3 Same as Note 3 of the Share Options of 48), 49) Resolution at 22nd General Shareholders' Meeting held on March 28, 2019.

52) Resolution at 22nd General Shareholders' Meeting (March 28, 2019)

Date of resolution at General Shareholders' Meeting (Date of resolution at Meeting of the Board of Directors)	March 28, 2019 (January 31, 2020)
Classification and number of persons received (persons)	Employees of the Company, and Directors and employees of the Company's subsidiaries 10,081
Number of Share Options (share options)*	32,152 [31,358] (Note 1)
Class, details and number of shares to be issued upon exercise of Share Options (shares)*	Common stock 3,215,200 [3,135,800] (Note 1)
Cash payment upon exercise of Share Options*	¥1 per share option (Note 2)
Exercise period of Share Options*	A. From February 1, 2021 to February 1, 2030 B. From February 1, 2022 to February 1, 2030 C. From February 1, 2023 to February 1, 2030 D. From February 1, 2024 to February 1, 2030
Issue price for shares issued through exercise of Share Options and the amount to be included in capital*	A. Issue price: ¥851 Amount to be included in capital: ¥426 B. Issue price: ¥847 Amount to be included in capital: ¥424 C. Issue price: ¥843 Amount to be included in capital: ¥422 D. Issue price: ¥838 Amount to be included in capital: ¥419 (Note 4)
Conditions for exercise of Share Options*	(Note 3)
Matters concerning transfer of Share Options*	(Note 6)
Matters concerning issuance of Share Options accompanying organizational restructuring*	(Note 7)

(Notes) 1, 2, 4-8 Same as Notes 1, 2, 4-8 of the Share Options of 1), 2) Resolution at 16th General Shareholders' Meeting held on March 28, 2013.

3 Same as Note 3 of the Share Options of 48), 49) Resolution at 22nd General Shareholders' Meeting held on March 28, 2019.

53), 54) Resolution at 22nd General Shareholders' Meeting (March 28, 2019)

Date of resolution at General Shareholders' Meeting (Date of resolution at Meeting of the Board of Directors)	March 28, 2019 (February 28, 2020)	March 28, 2019 (February 28, 2020)
Classification and number of persons received (persons)	Employees of the Company and employees of the Company's subsidiaries 50	Executive Officers of the Company 54
Number of Share Options (share options)*	2,861 [2,859] (Note 1)	7,387 [7,387] (Note 1)
Class, details and number of shares to be issued upon exercise of Share Options (shares)*	Common stock 286,100 [285,900] (Note 1)	Common stock 738,700 [738,700] (Note 1)
Cash payment upon exercise of Share Options*	¥1 per share option (Note 2)	¥1 per share option (Note 2)
Exercise period of Share Options*	A. From March 1, 2021 to March 1, 2030 B. From March 1, 2022 to March 1, 2030 C. From March 1, 2023 to March 1, 2030 D. From March 1, 2024 to March 1, 2030	From March 1, 2020 to March 1, 2060
Issue price for shares issued through exercise of Share Options and the amount to be included in capital*	A. Issue price: ¥898 Amount to be included in capital: ¥449 B. Issue price: ¥894 Amount to be included in capital: ¥447 C. Issue price: ¥890 Amount to be included in capital: ¥445 D. Issue price: ¥885 Amount to be included in capital: ¥443 (Note 4)	Issue price: ¥878 Amount to be included in capital: ¥439 (Note 4)
Conditions for exercise of Share Options*	(Note 3)	(Note 9)
Matters concerning transfer of Share Options*	(Note 6)	(Note 6)
Matters concerning issuance of Share Options accompanying organizational restructuring*	(Note 7)	(Note 7)

(Notes) 1, 2, 4-8 Same as Notes 1, 2, 4-8 of the Share Options of 1), 2) Resolution at 16th General Shareholders' Meeting held on March 28, 2013.

3, 9 Same as Notes 3, 9 of the Share Options of 48), 49) Resolution at 22nd General Shareholders' Meeting held on March 28, 2019.

55), 56) Resolution at Meeting of the Board of Directors (April 16, 2020)

Date of resolution at Meeting of the Board of Directors	April 16, 2020	April 16, 2020
Classification and number of persons received (persons)	Employees of the Company and employees of the Company's subsidiaries 2,012	Directors of the Company who serve concurrently as Executive Officers of the Company and Executive Officers of the Company 9
Number of Share Options (share options)*	51,776 [51,648] (Note 1)	1,731 [1,731] (Note 1)
Class, details and number of shares to be issued upon exercise of Share Options (shares)*	Common stock 5,177,600 [5,164,800] (Note 1)	Common stock 173,100 [173,100] (Note 1)
Cash payment upon exercise of Share Options*	¥1 per share option (Note 2)	¥1 per share option (Note 2)
Exercise period of Share Options*	A. From May 1, 2021 to May 1, 2030 B. From May 1, 2022 to May 1, 2030 C. From May 1, 2023 to May 1, 2030 D. From May 1, 2024 to May 1, 2030	From May 1, 2020 to May 1, 2060
Issue price for shares issued through exercise of Share Options and the amount to be included in capital*	A. Issue price: ¥909 Amount to be included in capital: ¥455 B. Issue price: ¥905 Amount to be included in capital: ¥453 C. Issue price: ¥901 Amount to be included in capital: ¥451 D. Issue price: ¥896 Amount to be included in capital: ¥448 (Note 4)	Issue price: ¥889 Amount to be included in capital: ¥445 (Note 4)
Conditions for exercise of Share Options*	(Note 3)	(Note 9)
Matters concerning transfer of Share Options*	(Note 6)	(Note 6)
Matters concerning issuance of Share Options accompanying organizational restructuring*	(Note 7)	(Note 7)

(Notes) 1, 2, 4-8 Same as Notes 1, 2, 4-8 of the Share Options of 1), 2) Resolution at 16th General Shareholders' Meeting held on March 28, 2013.

3, 9 Same as Notes 3, 9 of the Share Options of 48), 49) Resolution at 22nd General Shareholders' Meeting held on March 28, 2019.

57) Resolution at Meeting of the Board of Directors (July 16, 2020),
58) Resolution at Meeting of the Board of Directors (October 7, 2020)

Date of resolution at Meeting of the Board of Directors	July 16, 2020	October 7, 2020
Classification and number of persons received (persons)	Employees of the Company, and Directors and employees of the Company's subsidiaries 10,804	Employees of the Company's subsidiaries 196
Number of Share Options (share options)*	32,840 [32,607] (Note 1)	7,019 [6,916] (Note 1)
Class, details and number of shares to be issued upon exercise of Share Options (shares)*	Common stock 3,284,000 [3,260,700] (Note 1)	Common stock 701,900 [691,600] (Note 1)
Cash payment upon exercise of Share Options*	¥1 per share option (Note 2)	¥1 per share option (Note 2)
Exercise period of Share Options*	A. From August 1, 2021 to August 1, 2030 B. From August 1, 2022 to August 1, 2030 C. From August 1, 2023 to August 1, 2030 D. From August 1, 2024 to August 1, 2030	A. From November 1, 2021 to November 1, 2030 B. From November 1, 2022 to November 1, 2030 C. From November 1, 2023 to November 1, 2030 D. From November 1, 2024 to November 1, 2030
Issue price for shares issued through exercise of Share Options and the amount to be included in capital*	A. Issue price: ¥960 Amount to be included in capital: ¥480 B. Issue price: ¥956 Amount to be included in capital: ¥478 C. Issue price: ¥952 Amount to be included in capital: ¥476 D. Issue price: ¥947 Amount to be included in capital: ¥474 (Note 4)	A. Issue price: ¥1,010 Amount to be included in capital: ¥505 B. Issue price: ¥1,006 Amount to be included in capital: ¥503 C. Issue price: ¥1,002 Amount to be included in capital: ¥501 D. Issue price: ¥997 Amount to be included in capital: ¥499 (Note 4)
Conditions for exercise of Share Options*	(Note 3)	(Note 3)
Matters concerning transfer of Share Options*	(Note 6)	(Note 6)
Matters concerning issuance of Share Options accompanying organizational restructuring*	(Note 7)	(Note 7)

(Notes) 1, 2, 4-8 Same as Notes 1, 2, 4-8 of the Share Options of 1), 2) Resolution at 16th General Shareholders' Meeting held on March 28, 2013.

3 Same as Note 3 of the Share Options of 48), 49) Resolution at 22nd General Shareholders' Meeting held on March 28, 2019.

59) Resolution at Meeting of the Board of Directors (January 14, 2021)

Date of resolution at Meeting of the Board of Directors	January 14, 2021
Classification and number of persons received (persons)	Employees of the Company, and Directors and employees of the Company's subsidiaries 12,814
Number of Share Options (share options)*	39,163 [38,856] (Note 1)
Class, details and number of shares to be issued upon exercise of Share Options (shares)*	Common stock 3,916,300 [3,885,600] (Note 1)
Cash payment upon exercise of Share Options*	¥1 per share option (Note 2)
Exercise period of Share Options*	A. From February 1, 2022 to February 1, 2031 B. From February 1, 2023 to February 1, 2031 C. From February 1, 2024 to February 1, 2031 D. From February 1, 2025 to February 1, 2031
Issue price for shares issued through exercise of Share Options and the amount to be included in capital*	A. Issue price: ¥1,008 Amount to be included in capital: ¥504 B. Issue price: ¥1,004 Amount to be included in capital: ¥502 C. Issue price: ¥1,000 Amount to be included in capital: ¥500 D. Issue price: ¥995 Amount to be included in capital: ¥498 (Note 4)
Conditions for exercise of Share Options*	(Note 3)
Matters concerning transfer of Share Options*	(Note 6)
Matters concerning issuance of Share Options accompanying organizational restructuring*	(Note 7)

(Notes) 1, 2, 4-8 Same as Notes 1, 2, 4-8 of the Share Options of 1), 2) Resolution at 16th General Shareholders' Meeting held on March 28, 2013.

3 Same as Note 3 of the Share Options of 48), 49) Resolution at 22nd General Shareholders' Meeting held on March 28, 2019.

60), 61) Resolution at Meeting of the Board of Directors (February 12, 2021)

Date of resolution at Meeting of the Board of Directors	February 12, 2021	February 12, 2021
Classification and number of persons received (persons)	Employees of the Company and employees of the Company's subsidiaries 102	Executive Officers of the Company 54
Number of Share Options (share options)*	3,498 [3,498] (Note 1)	6,216 [6,216] (Note 1)
Class, details and number of shares to be issued upon exercise of Share Options (shares)*	Common stock 349,800 [349,800] (Note 1)	Common stock 621,600 [621,600] (Note 1)
Cash payment upon exercise of Share Options*	¥1 per share option (Note 2)	¥1 per share option (Note 2)
Exercise period of Share Options*	A. From March 1, 2022 to March 1, 2031 B. From March 1, 2023 to March 1, 2031 C. From March 1, 2024 to March 1, 2031 D. From March 1, 2025 to March 1, 2031	From March 1, 2021 to March 1, 2061
Issue price for shares issued through exercise of Share Options and the amount to be included in capital*	A. Issue price: ¥1,162 Amount to be included in capital: ¥581 B. Issue price: ¥1,158 Amount to be included in capital: ¥579 C. Issue price: ¥1,154 Amount to be included in capital: ¥577 D. Issue price: ¥1,149 Amount to be included in capital: ¥575 (Note 4)	Issue price: ¥1,142 Amount to be included in capital: ¥571 (Note 4)
Conditions for exercise of Share Options*	(Note 3)	(Note 9)
Matters concerning transfer of Share Options*	(Note 6)	(Note 6)
Matters concerning issuance of Share Options accompanying organizational restructuring*	(Note 7)	(Note 7)

(Notes) 1, 2, 4-8 Same as Notes 1, 2, 4-8 of the Share Options of 1), 2) Resolution at 16th General Shareholders' Meeting held on March 28, 2013.

3, 9 Same as Notes 3, 9 of the Share Options of 48), 49) Resolution at 22nd General Shareholders' Meeting held on March 28, 2019.

62), 63) Resolution at Meeting of the Board of Directors (April 15, 2021)

Date of resolution at Meeting of the Board of Directors	April 15, 2021	April 15, 2021
Classification and number of persons received (persons)	Employees of the Company and employees of the Company's subsidiaries 2,411	Directors of the Company who serve concurrently as Executive Officers of the Company and Executive Officers of the Company 49
Number of Share Options (share options)*	63,910 [63,771] (Note 1)	2,048 [2,048] (Note 1)
Class, details and number of shares to be issued upon exercise of Share Options (shares)*	Common stock 6,391,000 [6,377,100] (Note 1)	Common stock 204,800 [204,800] (Note 1)
Cash payment upon exercise of Share Options*	¥1 per share option (Note 2)	¥1 per share option (Note 2)
Exercise period of Share Options*	A. From May 1, 2022 to May 1, 2031 B. From May 1, 2023 to May 1, 2031 C. From May 1, 2024 to May 1, 2031 D. From May 1, 2025 to May 1, 2031	From May 1, 2021 to May 1, 2061
Issue price for shares issued through exercise of Share Options and the amount to be included in capital*	A. Issue price: ¥1,384 Amount to be included in capital: ¥692 B. Issue price: ¥1,380 Amount to be included in capital: ¥690 C. Issue price: ¥1,376 Amount to be included in capital: ¥688 D. Issue price: ¥1,371 Amount to be included in capital: ¥686 (Note 4)	Issue price: ¥1,362 Amount to be included in capital: ¥681 (Note 4)
Conditions for exercise of Share Options*	(Note 3)	(Note 9)
Matters concerning transfer of Share Options*	(Note 6)	(Note 6)
Matters concerning issuance of Share Options accompanying organizational restructuring*	(Note 7)	(Note 7)

(Notes) 1, 2, 4-8 Same as Notes 1, 2, 4-8 of the Share Options of 1), 2) Resolution at 16th General Shareholders' Meeting held on March 28, 2013.

3, 9 Same as Notes 3, 9 of the Share Options of 48), 49) Resolution at 22nd General Shareholders' Meeting held on March 28, 2019.

64) Resolution at Meeting of the Board of Directors (July 15, 2021)

Date of resolution at Meeting of the Board of Directors	July 15, 2021
Classification and number of persons received (persons)	Employees of the Company, and Directors and employees of the Company's subsidiaries 12,998
Number of Share Options (share options)*	32,897 [32,877] (Note 1)
Class, details and number of shares to be issued upon exercise of Share Options (shares)*	Common stock 3,289,700 [3,287,700] (Note 1)
Cash payment upon exercise of Share Options*	¥1 per share option (Note 2)
Exercise period of Share Options*	A. From August 1, 2022 to August 1, 2031 B. From August 1, 2023 to August 1, 2031 C. From August 1, 2024 to August 1, 2031 D. From August 1, 2025 to August 1, 2031
Issue price for shares issued through exercise of Share Options and the amount to be included in capital*	A. Issue price: ¥1,198 Amount to be included in capital: ¥599 B. Issue price: ¥1,194 Amount to be included in capital: ¥597 C. Issue price: ¥1,190 Amount to be included in capital: ¥595 D. Issue price: ¥1,185 Amount to be included in capital: ¥593 (Note 4)
Conditions for exercise of Share Options*	(Note 3)
Matters concerning transfer of Share Options*	(Note 6)
Matters concerning issuance of Share Options accompanying organizational restructuring*	(Note 7)

(Notes) 1, 2, 4-8 Same as Notes 1, 2, 4-8 of the Share Options of 1), 2) Resolution at 16th General Shareholders' Meeting held on March 28, 2013.

3 Same as Note 3 of the Share Options of 48), 49) Resolution at 22nd General Shareholders' Meeting held on March 28, 2019.

65) Resolution at Meeting of the Board of Directors (September 29, 2021)

Date of resolution at Meeting of the Board of Directors	September 29, 2021
Classification and number of persons received (persons)	Employees of the Company, and Directors and employees of the Company's subsidiaries 774
Number of Share Options (share options)*	21,467 [21,222] (Note 1)
Class, details and number of shares to be issued upon exercise of Share Options (shares)*	Common stock 2,146,700 [2,122,200] (Note 1)
Cash payment upon exercise of Share Options*	¥1 per share option (Note 2)
Exercise period of Share Options*	A. From November 1, 2022 to November 1, 2031 B. From November 1, 2023 to November 1, 2031 C. From November 1, 2024 to November 1, 2031 D. From November 1, 2025 to November 1, 2031
Issue price for shares issued through exercise of Share Options and the amount to be included in capital*	A. Issue price: ¥1,258 Amount to be included in capital: ¥629 B. Issue price: ¥1,254 Amount to be included in capital: ¥627 C. Issue price: ¥1,250 Amount to be included in capital: ¥625 D. Issue price: ¥1,245 Amount to be included in capital: ¥623 (Note 4)
Conditions for exercise of Share Options*	(Note 3)
Matters concerning transfer of Share Options*	(Note 6)
Matters concerning issuance of Share Options accompanying organizational restructuring*	(Note 7)

(Notes) 1, 2, 4-8 Same as Notes 1, 2, 4-8 of the Share Options of 1), 2) Resolution at 16th General Shareholders' Meeting held on March 28, 2013.

3 Same as Note 3 of the Share Options of 48), 49) Resolution at 22nd General Shareholders' Meeting held on March 28, 2019.

66) Resolution at Meeting of the Board of Directors (January 14, 2022)

Date of resolution at Meeting of the Board of Directors	January 14, 2022
Classification and number of persons received (persons)	Employees of the Company, and Directors and employees of the Company's subsidiaries 14,927
Number of Share Options (share options)*	47,655 [47,303] (Note 1)
Class, details and number of shares to be issued upon exercise of Share Options (shares)*	Common stock 4,765,500 [4,730,300] (Note 1)
Cash payment upon exercise of Share Options*	¥1 per share option (Note 2)
Exercise period of Share Options*	A. From February 1, 2023 to February 1, 2032 B. From February 1, 2024 to February 1, 2032 C. From February 1, 2025 to February 1, 2032 D. From February 1, 2026 to February 1, 2032
Issue price for shares issued through exercise of Share Options and the amount to be included in capital*	A. Issue price: ¥970 Amount to be included in capital: ¥485 B. Issue price: ¥966 Amount to be included in capital: ¥483 C. Issue price: ¥962 Amount to be included in capital: ¥481 D. Issue price: ¥957 Amount to be included in capital: ¥479 (Note 4)
Conditions for exercise of Share Options*	(Note 3)
Matters concerning transfer of Share Options*	(Note 6)
Matters concerning issuance of Share Options accompanying organizational restructuring*	(Note 7)

(Notes) 1, 2, 4-8 Same as Notes 1, 2, 4-8 of the Share Options of 1), 2) Resolution at 16th General Shareholders' Meeting held on March 28, 2013.

3 Same as Note 3 of the Share Options of 48), 49) Resolution at 22nd General Shareholders' Meeting held on March 28, 2019.

67), 68) Resolution at Meeting of the Board of Directors (February 14, 2022)

Date of resolution at Meeting of the Board of Directors	February 14, 2022	February 14, 2022
Classification and number of persons received (persons)	Executive Officers of the Company, and Directors and Executive Officers of the Company's subsidiaries 77	Executive Officers of the Company 48
Number of Share Options (share options)*	3,473 [3,473] (Note 1)	5,658 [5,658] (Note 1)
Class, details and number of shares to be issued upon exercise of Share Options (shares)*	Common stock 347,300 [347,300] (Note 1)	Common stock 565,800 [565,800] (Note 1)
Cash payment upon exercise of Share Options*	¥1 per share option (Note 2)	¥1 per share option (Note 2)
Exercise period of Share Options*	A. From March 1, 2023 to March 1, 2032 B. From March 1, 2024 to March 1, 2032 C. From March 1, 2025 to March 1, 2032 D. From March 1, 2026 to March 1, 2032	From March 1, 2022 to March 1, 2062
Issue price for shares issued through exercise of Share Options and the amount to be included in capital*	A. Issue price: ¥981 Amount to be included in capital: ¥491 B. Issue price: ¥977 Amount to be included in capital: ¥489 C. Issue price: ¥973 Amount to be included in capital: ¥487 D. Issue price: ¥968 Amount to be included in capital: ¥484 (Note 4)	Issue price: ¥959 Amount to be included in capital: ¥480 (Note 4)
Conditions for exercise of Share Options*	(Note 3)	(Note 9)
Matters concerning transfer of Share Options*	(Note 6)	(Note 6)
Matters concerning issuance of Share Options accompanying organizational restructuring*	(Note 7)	(Note 7)

(Notes) 1, 2, 4-8 Same as Notes 1, 2, 4-8 of the Share Options of 1), 2) Resolution at 16th General Shareholders' Meeting held on March 28, 2013.

3, 9 Same as Notes 3, 9 of the Share Options of 48), 49) Resolution at 22nd General Shareholders' Meeting held on March 28, 2019.

69), 70) Resolution at Meeting of the Board of Directors (April 14, 2022)

Date of resolution at Meeting of the Board of Directors	April 14, 2022	April 14, 2022
Classification and number of persons received (persons)	Directors of the Company and employees of the Company's subsidiaries 2,863	Directors of the Company who serve concurrently as Executive Officers of the Company 3
Number of Share Options (share options)*	103,842 [103,842] (Note 1)	2,507 [2,507] (Note 1)
Class, details and number of shares to be issued upon exercise of Share Options (shares)*	Common stock 10,384,200 [10,384,200] (Note 1)	Common stock 250,700 [250,700] (Note 1)
Cash payment upon exercise of Share Options*	¥1 per share option (Note 2)	¥1 per share option (Note 2)
Exercise period of Share Options*	A. From May 1, 2023 to May 1, 2032 B. From May 1, 2024 to May 1, 2032 C. From May 1, 2025 to May 1, 2032 D. From May 1, 2026 to May 1, 2032	From May 1, 2022 to May 1, 2062
Issue price for shares issued through exercise of Share Options and the amount to be included in capital*	A. Issue price: ¥913 Amount to be included in capital: ¥457 B. Issue price: ¥909 Amount to be included in capital: ¥455 C. Issue price: ¥905 Amount to be included in capital: ¥453 D. Issue price: ¥900 Amount to be included in capital: ¥450 (Note 4)	Issue price: ¥890 Amount to be included in capital: ¥445 (Note 4)
Conditions for exercise of Share Options*	(Note 3)	(Note 9)
Matters concerning transfer of Share Options*	(Note 6)	(Note 6)
Matters concerning issuance of Share Options accompanying organizational restructuring*	(Note 7)	(Note 7)

(Notes) 1, 2, 4-8 Same as Notes 1, 2, 4-8 of the Share Options of 1), 2) Resolution at 16th General Shareholders' Meeting held on March 28, 2013.

3, 9 Same as Notes 3, 9 of the Share Options of 48), 49) Resolution at 22nd General Shareholders' Meeting held on March 28, 2019.

71) Resolution at Meeting of the Board of Directors (July 14, 2022)

Date of resolution at Meeting of the Board of Directors	July 14, 2022
Classification and number of persons received (persons)	Employees of the Company, and Directors and employees of the Company's subsidiaries 14,037
Number of Share Options (share options)*	69,353 [69,353] (Note 1)
Class, details and number of shares to be issued upon exercise of Share Options (shares)*	Common stock 6,935,300 [6,935,300] (Note 1)
Cash payment upon exercise of Share Options*	¥1 per share option (Note 2)
Exercise period of Share Options*	A. From August 1, 2023 to August 1, 2032 B. From August 1, 2024 to August 1, 2032 C. From August 1, 2025 to August 1, 2032 D. From August 1, 2026 to August 1, 2032
Issue price for shares issued through exercise of Share Options and the amount to be included in capital*	A. Issue price: ¥667 Amount to be included in capital: ¥334 B. Issue price: ¥663 Amount to be included in capital: ¥332 C. Issue price: ¥659 Amount to be included in capital: ¥330 D. Issue price: ¥654 Amount to be included in capital: ¥327 (Note 4)
Conditions for exercise of Share Options*	(Note 3)
Matters concerning transfer of Share Options*	(Note 6)
Matters concerning issuance of Share Options accompanying organizational restructuring*	(Note 7)

(Notes) 1, 2, 4-8 Same as Notes 1, 2, 4-8 of the Share Options of 1), 2) Resolution at 16th General Shareholders' Meeting held on March 28, 2013.

3 Same as Note 3 of the Share Options of 48), 49) Resolution at 22nd General Shareholders' Meeting held on March 28, 2019.

72) Resolution at Meeting of the Board of Directors (October 14, 2022)

Date of resolution at Meeting of the Board of Directors	October 14, 2022
Classification and number of persons received (persons)	Employees of the Company's subsidiaries 1,771
Number of Share Options (share options)*	55,472 [55,472] (Note 1)
Class, details and number of shares to be issued upon exercise of Share Options (shares)*	Common stock 5,547,200 [5,547,200] (Note 1)
Cash payment upon exercise of Share Options*	¥1 per share option (Note 2)
Exercise period of Share Options*	A. From November 1, 2023 to November 1, 2032 B. From November 1, 2024 to November 1, 2032 C. From November 1, 2025 to November 1, 2032 D. From November 1, 2026 to November 1, 2032
Issue price for shares issued through exercise of Share Options and the amount to be included in capital*	A. Issue price: ¥670 Amount to be included in capital: ¥335 B. Issue price: ¥666 Amount to be included in capital: ¥333 C. Issue price: ¥662 Amount to be included in capital: ¥331 D. Issue price: ¥657 Amount to be included in capital: ¥329 (Note 4)
Conditions for exercise of Share Options*	(Note 3)
Matters concerning transfer of Share Options*	(Note 6)
Matters concerning issuance of Share Options accompanying organizational restructuring*	(Note 7)

(Notes) 1, 2, 4-8 Same as Notes 1, 2, 4-8 of the Share Options of 1), 2) Resolution at 16th General Shareholders' Meeting held on March 28, 2013.

3 Same as Note 3 of the Share Options of 48), 49) Resolution at 22nd General Shareholders' Meeting held on March 28, 2019.

73) Resolution at Meeting of the Board of Directors (January 16, 2023)

Date of resolution at Meeting of the Board of Directors	January 16, 2023
Classification and number of persons received (persons)	Employees of the Company, and Directors and employees of the Company's subsidiaries 15,679
Number of Share Options (share options)*	75,940 (Notes 1, 10)
Class, details and number of shares to be issued upon exercise of Share Options (shares)*	Common stock 7,594,000 (Notes 1, 10)
Cash payment upon exercise of Share Options*	¥1 per share option (Note 2)
Exercise period of Share Options*	A. From February 1, 2024 to February 1, 2033 B. From February 1, 2025 to February 1, 2033 C. From February 1, 2026 to February 1, 2033 D. From February 1, 2027 to February 1, 2033
Issue price for shares issued through exercise of Share Options and the amount to be included in capital*	A. Issue price: ¥662 Amount to be included in capital: ¥331 B. Issue price: ¥658 Amount to be included in capital: ¥329 C. Issue price: ¥654 Amount to be included in capital: ¥327 D. Issue price: ¥649 Amount to be included in capital: ¥325 (Note 4)
Conditions for exercise of Share Options*	(Note 3)
Matters concerning transfer of Share Options*	(Note 6)
Matters concerning issuance of Share Options accompanying organizational restructuring*	(Note 7)

(Notes) 1, 2, 4-8 Same as Notes 1, 2, 4-8 of the Share Options of 1), 2) Resolution at 16th General Shareholders' Meeting held on March 28, 2013.

3 Same as Note 3 of the Share Options of 48), 49) Resolution at 22nd General Shareholders' Meeting held on March 28, 2019.

10 Abovementioned items are based on information as of the allotment date of the Share Options (February 1, 2023).

74), 75) Resolution at Meeting of the Board of Directors (February 14, 2023)

Date of resolution at Meeting of the Board of Directors	February 14, 2023	February 14, 2023
Classification and number of persons received (persons)	Employees of the Company, and Directors and employees of the Company's subsidiaries 79	Executive Officers of the Company 52
Number of Share Options (share options)*	10,305 (Notes 1, 10)	10,050 (Notes 1, 10)
Class, details and number of shares to be issued upon exercise of Share Options (shares)*	Common stock 1,030,500 (Notes 1, 10)	Common stock 1,005,000 (Notes 1, 10)
Cash payment upon exercise of Share Options*	¥1 per share option (Note 2)	¥1 per share option (Note 2)
Exercise period of Share Options*	A. From March 1, 2024 to March 1, 2033 B. From March 1, 2025 to March 1, 2033 C. From March 1, 2026 to March 1, 2033 D. From March 1, 2027 to March 1, 2033	From March 1, 2023 to March 1, 2063
Issue price for shares issued through exercise of Share Options and the amount to be included in capital*	A. Issue price: ¥675 Amount to be included in capital: ¥338 B. Issue price: ¥671 Amount to be included in capital: ¥336 C. Issue price: ¥667 Amount to be included in capital: ¥334 D. Issue price: ¥662 Amount to be included in capital: ¥331 (Note 4)	Issue price: ¥652 Amount to be included in capital: ¥326 (Note 4)
Conditions for exercise of Share Options*	(Note 3)	(Note 9)
Matters concerning transfer of Share Options*	(Note 6)	(Note 6)
Matters concerning issuance of Share Options accompanying organizational restructuring*	(Note 7)	(Note 7)

(Notes) 1, 2, 4-8 Same as Notes 1, 2, 4-8 of the Share Options of 1), 2) Resolution at 16th General Shareholders' Meeting held on March 28, 2013.

3, 9 Same as Notes 3, 9 of the Share Options of 48), 49) Resolution at 22nd General Shareholders' Meeting held on March 28, 2019.

10 Abovementioned items are based on information as of the allotment date of the Share Options (March 1, 2023).

2) Rights Plans

Not applicable.

3) Other Status of Share Options

Not applicable.

(3) Status in the Exercise of Bonds with Share Options with Exercise Price Amendment

Not applicable.

(4) Changes in the Total Number of Shares Issued and the Amount of Common Stock and Others

(Millions of Yen, unless otherwise stated)

Period	Changes in the total number of shares issued (shares)	Balance of the total number of shares issued (shares)	Changes in common stock	Balance of common stock	Changes in legal capital surplus	Balance of legal capital surplus
From January 1, 2021 to March 31, 2021 (Note 1)	1,458,600	1,436,032,500	721	206,645	721	174,182
March 29, 2021 (Note 2)	139,737,600	1,575,770,100	80,000	286,645	80,000	254,182
From April 1, 2021 to December 31, 2021 (Note 1)	5,965,000	1,581,735,100	3,028	289,673	3,028	257,210
From January 1, 2022 to December 31, 2022 (Note 1)	8,727,900	1,590,463,000	4,387	294,061	4,387	261,597

(Notes) 1. Through the exercise of Share Options.

2. Increased due to the issuance of new shares through third-party allotment for which payments were made on March 29, 2021 by the allottees Japan Post Holdings Co., Ltd., Mikitani Kosan, Inc., and Spirit Inc. The issue price for shares in this offering and the amounts to be included in capital are ¥1,145 and ¥573, respectively.

3. Upon the exercise of Share Options from January 1, 2023 to February 28, 2023, the total number of shares issued, amounts of common stock and legal capital surplus increased by 959,000 shares, ¥472 million and ¥472 million, respectively.

(5) Status of Shareholders

As of December 31, 2022

Classification	Status of shares (the number of minimum unit is 100 shares)								Status of shares below unit (shares)
	Govern-ment and local municip ali-ties	Financial institutions	Financial instrument s business operators	Other corporations	Foreign corporations, etc.		Individuals and others	Total	
					Others	Individuals			
Number of shareholders	1	29	30	1,258	720	4,473	373,790	380,301	—
Number of shares held (Unit)	1,170	2,028,530	175,899	3,878,497	3,822,435	78,633	5,912,894	15,898,058	657,200
Percentage of shares held (%)	0.01	12.76	1.11	24.40	24.04	0.49	37.19	100.00	—

(Note) 244 shares of treasury stocks are included as 2 units in the item of “Individuals and others” and as 44 shares in the “Status of shares below unit”.

(6) Major Shareholders

As of December 31, 2022

Name	Address	Number of shares held (shares)	Percentage of shares held to the total number of issued shares (%)
Crimson Group, Inc.	ARK Hills Executive Tower N211, 1-14-5 Akasaka, Minato-ku, Tokyo	226,419,000	14.24
Hiroshi Mikitani	Minato-ku, Tokyo	176,346,300	11.09
The Master Trust Bank of Japan, Ltd. (Trust account)	2-11-3 Hamamatsucho, Minato-ku, Tokyo	143,529,500	9.02
Haruko Mikitani	Shibuya-ku, Tokyo	132,625,000	8.34
Japan Post Holdings Co., Ltd.	2-3-1 Otemachi, Chiyoda-ku, Tokyo	131,004,000	8.24
MSIP CLIENT SECURITIES (Standing proxy: Morgan Stanley MUFG Securities Co., Ltd.)	25 CABOT SQUARE, CANARY WHARF, LONDON E14 4QA, U.K. (Otemachi Financial City South Tower, 1-9-7 Otemachi, Chiyoda-ku, Tokyo)	58,490,941	3.68
Custody Bank of Japan, Ltd. (Trust account)	1-8-12 Harumi, Chuo-ku, Tokyo	40,950,857	2.57
GOLDMAN SACHS INTERNATIONAL (Standing proxy: Goldman Sachs Japan Co., Ltd.)	PLUMTREE COURT, 25 SHOE LANE, LONDON EC4A 4AU, U.K. (Roppongi Hills Mori Tower, 6-10-1 Roppongi, Minato-ku, Tokyo)	28,198,800	1.77
THE BANK OF NEW YORK MELLON 140051 (Standing proxy: Settlement & Clearing Services Division, Mizuho Bank, Ltd.)	240 GREENWICH STREET, NEW YORK, NY 10286, U.S.A. (SHINAGAWA INTERCITY Tower A, 2-15-1 Konan, Minato-ku, Tokyo)	22,158,300	1.39
J.P. MORGAN SECURITIES PLC FOR AND ON BEHALF OF ITS CLIENTS JPMSP RE CLIENT ASSETS-SEGR ACCT (Standing proxy: Citibank, N.A., Tokyo Branch)	25 BANK STREET, CANARY WHARF LONDON E14 5JP UK (6-27-30 Shinjuku, Shinjuku-ku, Tokyo)	14,844,973	0.93
Total	—	974,567,671	61.27

(7) Status of Voting Rights

1) Issued shares

As of December 31, 2022

Classification	Number of shares (shares)		Number of voting rights	Details
Shares without voting rights	—		—	—
Shares with limited voting rights (treasury stocks, etc.)	—		—	—
Shares with limited voting rights (others)	—		—	—
Shares with full voting rights (treasury stocks, etc.)	(Treasury stocks) Common stock	200	—	—
Shares with full voting rights (others)	Common stock	1,589,805,600	15,898,056	—
Shares below unit	Common stock	657,200	—	—
Total number of shares issued		1,590,463,000	—	—
Total voting rights held by all shareholders	—		15,898,056	—

(Note) 44 shares of treasury stocks are included in “Shares below unit”.

2) Treasury Stocks, etc.

As of December 31, 2022

Shareholder	Address of shareholder	Number of shares held under own name (shares)	Number of shares held under the names of others (shares)	Total (shares)	Percentage of shares held to the total number of issued shares (%)
(Treasury stocks) Rakuten Group, Inc.	1-14-1 Tamagawa, Setagaya-ku, Tokyo	200	—	200	0.00
Total	—	200	—	200	0.00

(Note) The Company holds 44 shares of treasury stocks that are below unit.

2. Status of Acquisition of Treasury Stocks, etc.

Class of shares, etc.	Acquisition of common stock as stipulated in Article 155, Item 7 of the Companies Act

(1) Status of the Acquisition of Treasury Stocks Resolved at Shareholders' Meetings
Not applicable.

(2) Status of the Acquisition of Treasury Stocks Resolved at the Meetings of the Board of Directors
Not applicable.

(3) Details of the Acquisition of Treasury Stocks not Based on the Resolutions of Shareholders' Meetings or the Resolutions of the Meetings of the Board of Directors
Acquisition in accordance with Article 155, Item 7 of the Companies Act

Classification	Number of shares (shares)	Total acquisition amount (Thousands of Yen)
Acquired treasury stocks during the current fiscal year	10	8
Acquired treasury stocks during the current period	—	—

(Note) The number of shares of acquired treasury stocks during the current period does not include the number of shares as a result of the purchase of shares below unit during the period from March 1, 2023 to the filing date of this securities report.

(4) Status of the Disposition and Holding of Acquired Treasury Stocks

Classification	Current fiscal year		Current period	
	Number of shares (shares)	Total disposition amount (Millions of Yen)	Number of shares (shares)	Total disposition amount (Millions of Yen)
Acquired treasury stocks for which subscribers were solicited	—	—	—	—
Acquired treasury stocks that was cancelled	—	—	—	—
Acquired treasury stocks transferred due to merger, share exchange, share issuance or company split	—	—	—	—
Others (Disposal of treasury stocks associated with execution of share options)	—	—	—	—
Number of treasury stocks held	244	—	244	—

(Note) The number of shares of treasury stocks held during the current period does not include the number of acquired or disposed shares during the period from March 1, 2023 to the filing date of this securities report.

3. Basic Policy on Dividends

As for the policy for shareholder return, the Company strives to pay stable and continuous dividends, while taking into account the importance of making investments with a view to the medium- to long-term growth and ensuring sufficient internal reserves for the purpose of stabilizing our financial base. With respect to the required level of shareholders' equity, the Company's basic philosophy is as follows:

- Prepare a financial basis sound enough for the Company to capture growing business opportunities promptly and accurately
- Ensure sufficiency in comparison with risks associated with business activities and assets
- Maintain the level of financial rating required for stable financing, while sustaining the level of shareholders equity in compliance with regulatory requirements

For the current fiscal year, the Company decided to pay a dividend of ¥4.50 per share (¥4.50 per share for the previous fiscal year) from retained earnings at the Meeting of the Board of Directors held on February 14, 2023.

The Company's distribution of dividends of surplus is decided by the Board of Directors. As a general rule, payment in principle is made once a year in the form of a year-end dividend. Payment of dividends in accordance with the provisions of Article 459, Paragraph 1 of the Companies Act shall be subject to judgment allowing for management circumstances and other factors.

Purchase of treasury stocks will be determined flexibly, as a financial measure towards contributing to the enhancement of shareholder value.

(Note) Payment of dividends based on record date for the current fiscal year is as follows:

Resolution date	Total dividend amount (Millions of Yen)	Dividend per share (Yen)
February 14, 2023 Resolution at the Meeting of the Board of Directors	7,157	4.50

(Reference) Trends in dividend per share

Fiscal period	22nd	23rd	24th	25th	26th
Year-end	December 2018	December 2019	December 2020	December 2021	December 2022
Dividend per share (Yen)	4.50	4.50	4.50	4.50	4.50

4. Corporate Governance

(1) Overview of Corporate Governance

1) Basic Approach to Corporate Governance

Our corporate mission since founding is based on the empowerment of individuals and society through innovation and entrepreneurship. We achieve social innovation and enrichment by boosting the growth of as many people as possible, while providing services that ensure a high standard of satisfaction for both users and partner enterprises. To achieve this, the Group has been implementing various measures by making rigorous corporate governance its highest priority.

2) Corporate Governance

(a) Basic Structure of Corporate Governance and Reasons for Adoption

The Company has adopted a company with an Audit & Supervisory Board structure, in which highly independent Audit & Supervisory Board Members provide auditing functions in order to improve the transparency of the Company's management and ensure its appropriateness, efficiency, fairness, and soundness. The Company has supervised management through an Audit &

Supervisory Board, where a majority of the members are Outside Audit & Supervisory Board Members. Additionally, in order to separate the supervisory and executive roles of management, the Company has adopted an Executive Officer System in which the Board retains responsibility for management decision-making and supervision, while Executive Officers are responsible for executive functions.

The Company's Board of Directors, which includes Outside Directors who are highly independent experts from a variety of fields, supervises the execution of business from an objective perspective and engages in casual and multilateral discussions on management. Furthermore, the Company holds meetings, where debates are held about Group management strategy, etc., separately from the meetings of the Board of Directors. Participants discuss matters from a medium- to long-term perspective rather than confining themselves to short-term issues or items discussed at the meetings of the Board of Directors, thereby enhancing the effectiveness of corporate governance.

(b) Corporate Organization

(Directors, Board of Directors, Executive Officers, etc.)

While it is stipulated in the Articles of Incorporation that the number of Directors shall be not more than 16, the Board of Directors consists of twelve Directors, including seven Outside Directors. Resolutions to appoint Directors must be approved by a majority of voting rights at an Annual General Shareholders' Meeting attended by shareholders holding at least one-third of voting rights.

The Board of Directors holds regular meetings, as well as special meetings as required, for the purpose of enhancing medium- to long-term corporate value and shareholder value. Within these meetings, Directors make decisions on important management matters, which are under the authority of the Board of Directors, and supervise the business execution of each Executive Officer. Executive Officers, upon receiving business execution orders from the CEO, carry out business execution within the administrative authority set forth by the Company. The current members of the Board of Directors are twelve Directors, namely Hiroshi Mikitani (Representative Director, Chairman, President & CEO), Masayuki Hosaka (Representative Director & Vice Chairman), Kentaro Hyakuno (Representative Director & Vice President), Kazunori Takeda (Director & Group Executive Vice President), Kenji Hirose (Director & Group Executive Vice President), Sarah J.M. Whitley (Outside Director), Charles B. Baxter (Outside Director), Takashi Mitachi (Outside Director), Jun Murai (Outside Director), Takaharu Ando (Outside Director), Tsedal Neeley (Outside Director) and Shigeki Habuka (Outside Director) with Hiroshi Mikitani (Representative Director, Chairman, President & CEO) serving as the Chairman of the Board.

As to a case that requires new capital expenditure including any investment, members, including external experts, of the Investment Committee preliminarily deliberate on whether the case should be proceeded or not. The result of such deliberation shall be reported to the Board of Directors.

(Audit & Supervisory Board Members and the Audit & Supervisory Board)

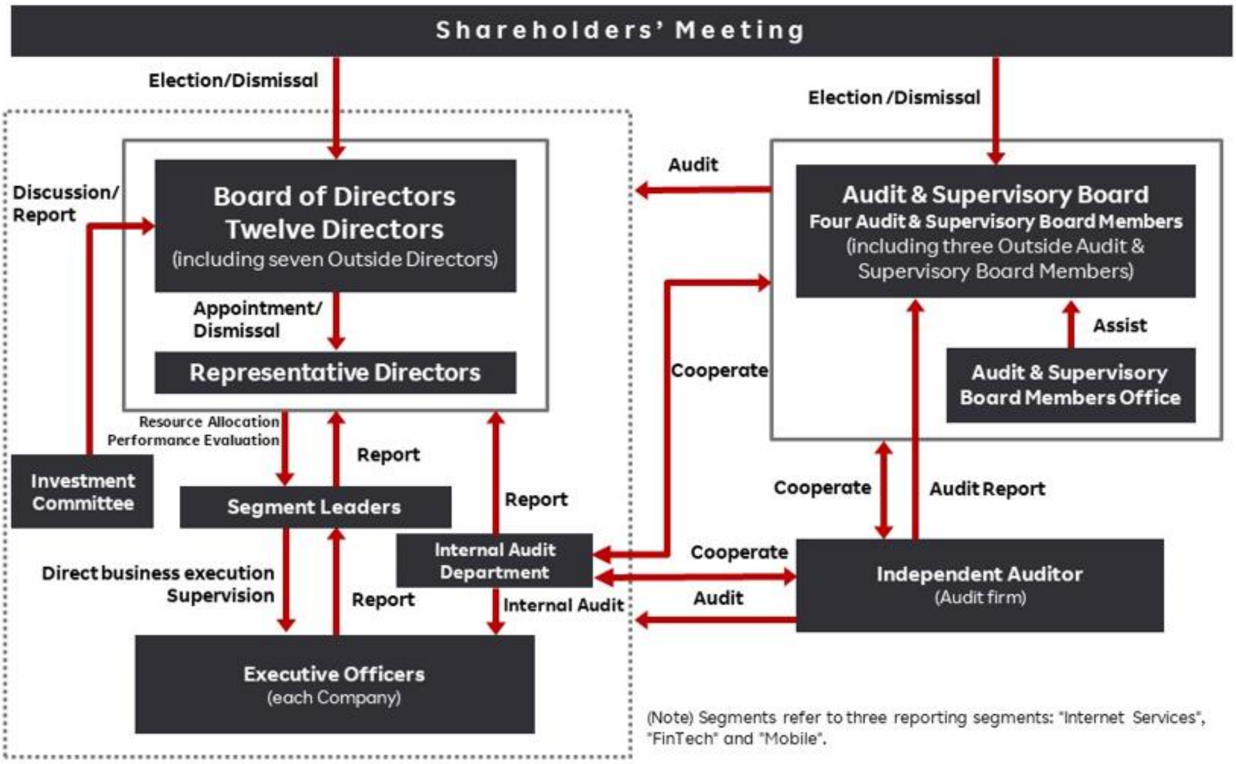
The Company has four Audit & Supervisory Board Members (including two full-time Audit & Supervisory Board Members) and the majority are outside Audit & Supervisory Board Members.

A two-member Audit & Supervisory Board Members' Office assists the Audit & Supervisory Board Members in the performance of their duties. In addition to its regular meetings, the Audit & Supervisory Board holds special meetings as required.

The purpose of the Audit & Supervisory Board is to receive reports, hold discussions, and make decisions regarding important audit-related matters. However, it does not prevent each Audit & Supervisory Board Member from exercising their individual authority.

In accordance with audit policies and plans established by the Audit & Supervisory Board, the Audit & Supervisory Board Members attend meetings of the Board of Directors and other important management meetings to receive reports about the state of the Company's operations from Directors and employees, and they also check the operations of the Company and its subsidiaries. In addition, the Audit & Supervisory Board Members receive audit reports from the independent auditors, audit financial statements and business reports, and discuss various matters with the CEO. The current members of the Audit & Supervisory Board are Yoshito Naganuma (Audit & Supervisory Board Member, Full-time), Satoshi Fujita (Outside Audit & Supervisory Board Member, Full-time), Katsuyuki Yamaguchi (Outside Audit & Supervisory Board Member, Part-time) and Maki Kataoka (Outside Audit & Supervisory Board Member, Part-time) with Satoshi Fujita (Outside Audit & Supervisory Board Member, Full-time) serving as the Chairman of the Board.

<Corporate Governance Structure>



3) Internal Control Systems and System to Ensure the Appropriateness of Operations of Subsidiaries of the Company Submitting Financial Reports (Including Risk Management Systems)

The Board of Directors of the Company has made the following resolutions concerning systems to ensure the performance of business operations of Directors comply with laws, regulations and the "Articles of Incorporation".

(1) System for Ensuring Directors and Employees Comply with Laws, Regulations and the "Articles of Incorporation"

The Company has stipulated the "Rakuten Group Code of Ethics" and the Company as well as its subsidiaries shall accordingly comply with all laws and regulations and undertake business actions with a high commitment to ethics. The proper execution of duties by Directors and employees of the Rakuten Group shall be absolutely ensured through: operational audits carried out by the Internal Audit Department (an independent organizational unit under the direct control of the Representative Director and President); initiatives promoting Group-wide compliance under the leadership of the COO and CCO (a position overseeing Group-wide compliance initiatives under the leadership of the COO), and Company Compliance Officer appointed according to the Company's internal Company System structure; and by reporting the status of compliance initiatives to the Group Risk Compliance Committee and the Board of Directors.

Moreover, Outside Directors and Audit & Supervisory Board Members including Outside Audit & Supervisory Board Members shall also thoroughly supervise and audit the execution of duties by Directors and employees. To technically and objectively verify compliance with laws, regulations and the "Articles of Incorporation", lawyers shall also be appointed for those positions.

Additionally, compliance education about the knowledge and sense of ethics needed as a member of the Rakuten Group is carried out for all executives and employees of the Rakuten Group. The Rakuten Group shall appropriately administer a system for internal reporting that prevents retribution against those who report and consult through establishing a point of contact for executives, current and former employees of the Rakuten Group to consult and report about legal violations and other compliance issues. The Rakuten Group will also collect information widely from outside the company.

(2) System for Managing and Protecting Information Related to the Execution of Duties by Directors

Any information, including written documents and digital records, regarding the execution of duties by Directors of the Company shall be legally and properly preserved and managed in accordance with the Rakuten Group Regulations and other internal regulations. Additionally, Directors and Audit & Supervisory Board Members shall have full-time access to all information relevant to this matter.

(3) System for Risk Management

In accordance with the Group's rules and regulations on risk management, the Company, shall be aware of and devise/execute measures to contain risks; establish a system (i.e., PDCA cycle) with which to monitor the results of such measures; treat risks faced by its organizations in the course of business.

The CFO, CISO, COO, and CCO shall monitor the status of risks and action plans in their respective fields (i.e., finance, information security, compliance)-identified in their respective risk assessments-and treat, as needed, critical risks and those which affect the entire Group to reduce their impact and prevent materialization. The status of such risk treatment activities shall be discussed at the Group Risk and Compliance Committee and the outcome reported at Important Meetings. Critical risks and related measures shall be reported to management at Board of Directors of the Company or other Important Meetings.

With regard to information and personal data management, considered as a critical risk, the Group Information Security and Privacy Committee shall convene to report/make decisions on important measures and incidents which have occurred since the previous meeting. Furthermore, to control investment-related risks, approval by the Investment Committee must be obtained for every matter, and cases in which the investment in question exceeds established thresholds shall require approval by Board of Directors of the Company.

The Internal Audit Department of the Company will, from an independent standpoint, carry out audits of the Company and Group Companies' status of compliance with laws and related Rakuten Group Regulations, and regularly report to Board of Directors of the Company.

(4) System Allowing Directors to Efficiently Carry Out their Duties

An appropriate and efficient decision-making system to allow Directors of the Rakuten Group to execute their duties shall be formulated based on the Rakuten Group Regulations, and other internal regulations. Moreover, transparency and speed in decision making shall be sought by promoting online internal procedures.

Prompt and flexible decision-making and execution of duties shall be promoted by having Executive Officers, who were appointed by the Board of Directors, perform duties under the control of Directors.

(5) System to Report Financial Information Appropriately

A system shall be developed to ensure appropriate operations for financial reporting related to the disclosure of management information, financial information, etc. In addition, generally accepted accounting practices, and timely disclosure based on “the Financial Instruments and Exchange Act” and other applicable domestic and foreign laws and regulations shall be conducted and effectiveness of these shall be evaluated accordingly.

(6) System for the Rakuten Group to Only Engage in Appropriate Business Practices

In order to realize unified Group management, the Company stipulates the Rakuten Group Regulations and other internal regulations dealing with company ideals, group governance, company management, risk management, compliance, etc. Regarding the execution of subsidiaries’ significant duties, the Rakuten Group shall administer a system for approval and reporting to the Company based on the Rakuten Group Authority Table and the Rakuten Group Guidelines. The Rakuten Group Regulations protect the independence of the subsidiaries while also creating the needed framework for business operations which is followed by the entire Rakuten Group.

In addition, the Internal Audit Department, which is an independent organization under the Representative Director and President ensures the appropriateness of operations by having a strong relationship with the organizational unit-in-charge of internal audit of each subsidiary and by conducting internal audits on the Rakuten Group as a whole.

(7) Requests from Audit & Supervisory Board Members for Employees’ Assistance and Employees’ Independence from Directors

To assist the duties of Audit & Supervisory Board Members, the Audit & Supervisory Board Members Office is established under the Audit & Supervisory Board, and the Audit & Supervisory Board Members may give orders to employees belonging to the Audit & Supervisory Board Members Office as the need arises. Additionally, when employees assist Audit & Supervisory Board Members, the effectiveness of the orders from Audit & Supervisory Board Members shall be ensured by employees of the Audit & Supervisory Board Members Office not receiving orders from Directors and by requiring approval from the Audit & Supervisory Board Members for such employees’ transfer and performance assessments.

(8) System for Directors and Employees to Report to Audit & Supervisory Board Members and for Audit & Supervisory Board Members to Carry Out Effective Audits

Directors and employees of the Rakuten Group shall give all legally required reports to Audit & Supervisory Board Members and provide additional necessary reports and information if the Audit & Supervisory Board Member requests it. The Company will ensure the effectiveness of audits through prohibiting retribution for reporting against those who report to the Audit & Supervisory Board Members.

Additionally, if the Company receives a request for prepayment of expenses or repayment from Audit & Supervisory Board Members, it shall pay the expense or debt promptly unless the expenses are proved not to be necessary for the execution of the Audit & Supervisory Board Member's duty.

4) Overview of Liability Limitation Agreements

The Company has signed an agreement with each of its Directors (excluding Executive Directors, etc.) and Audit & Supervisory Board Members under the provisions of Article 427, Paragraph 1 of the Companies Act. This agreement is summarized below:

Provided that duties have been carried out in good faith and without gross negligence, the total liability in situations as defined in Article 423, Paragraph 1 of the Companies Act will be limited to the sum of the amounts stipulated in the following items:

i. Two times the bigger of the sum of fees, bonuses and other payments received or asset benefits received in the year that includes the date on which the event that resulted in the liability occurred, and in the preceding year, or the value of asset benefits to be received (excluding benefits stipulated under item ii below).

ii. Two times the smaller of the sum of retirement bonuses or asset benefits that are in the nature of retirement bonuses, or that amount divided by the number of years during which the office of Director (excluding Executive Director) or Audit & Supervisory Board Member was held.

iii. The amounts stipulated below if Share Options, as defined in Article 238, Paragraph 3 of the Companies Act, were exercised or transferred after the person was appointed as a Director (excluding Executive Director) or an Audit & Supervisory Board Member.

1. If the Rights have been exercised
   An amount calculated by subtracting the sum of the issue price of the Share Options and the paid-in value per share on the exercise date from the market price per share on the exercise date and multiplying the result by the number of shares granted through the exercise of the Share Options.
2. If the Rights have been transferred
   An amount calculated by subtracting the issue price of the Share Options from the transfer price and multiplying the result by the number of Share Options.

5) Overview of Indemnity Agreements Entered into with Officers, etc.

The Company has entered into indemnity agreements provided for in Article 430-2, Paragraph 1 of the Companies Act with its Directors and Audit & Supervisory Board Members to indemnify them for the expense stipulated in Paragraph 1, Item 1 and the loss stipulated in Paragraph 1, Item 2 of the same article to the extent provided for by laws and regulations. However, in order to ensure that the appropriateness of the execution of duties by officers is not impaired by the said indemnity agreements, losses incurred due to malicious intent or gross negligence of officers are not subject to indemnification.

6) Overview of the Directors and Officers Liability Insurance Contract that Covers Officers, etc.

The Company has entered into a directors and officers liability insurance contract provided for in Article 430-3, Paragraph 1 of the Companies Act insuring all Directors and Audit & Supervisory Board Members of the Company with an insurance company. The contract will cover legal damages and litigation expenses to be borne by the insured in the event that a claim for damages is made due to an act (or omission) committed by the insured in his or her capacity as officer, etc. of the Company. The Company bears the entire premium for the contract. However, in order to ensure that the appropriateness of the execution of duties by the insured is not impaired, there are certain exemptions; for example, damages that the insured has caused as a result of an act performed with the awareness that it is a violation of laws and regulations will not be covered.

7) Other Provisions of the Articles of Incorporation

(a) Matters Requiring Resolutions of Shareholders' Meetings that Can Be Implemented by Resolutions of the Board of Directors

The Articles of Incorporation of the Company state that, unless otherwise stipulated in laws and regulations, the Board of Directors is authorized to pass resolutions on matters pertaining to the distribution of surpluses and other matters, as stipulated in the items of Article 459, Paragraph 1 of the Companies Act, without resolutions of shareholders' meetings. The purpose of this provision is to allow the Board of Directors to implement a flexible dividend policy.

(b) Items Requiring Special Resolutions of Shareholders' Meetings

The Articles of Incorporation of the Company state that matters requiring resolutions of shareholders' meetings, as stipulated in Article 309, Paragraph 2 of the Companies Act, require resolutions supported by at least two-thirds of voting rights at shareholders' meetings attended by shareholders holding at least one-third of voting rights. The purpose of this provision is to facilitate the administration of shareholders' meetings by easing the quorum requirements for special resolutions.

(2) Directors

1) List of Officers

13 male, 3 female (Percentage of female: 18.8%)

Title and position	Name	Date of birth	Career summary		Term	Number of shares of the Company held (Thousands of shares)
Representative Director, Chairman, President & CEO	Hiroshi Mikitani	March 11, 1965	April 1988	Joined the Industrial Bank of Japan, Limited (currently Mizuho Bank, Ltd.)	March 2023 to March 2024	176,346
			May 1993	Received MBA from Harvard Business School		
			February 1996	President & Representative Director (currently Representative Partner) of Crimson Group, Inc. (currently Crimson Group, LLC.) (current position)		
			February 1997	Founder & President & Representative Director of the Company		
			February 2001	Chairman, President, & Representative Director of the Company (current position)		
			March 2004	Chief Executive Officer of the Company (current position)		
			April 2006	Chairman & Representative Director of Crimson Football Club, Inc. (currently Rakuten Vissel Kobe, Inc.) (current position)		
			February 2010	Representative Director of Japan e-business Association (currently Japan Association of New Economy) (current position)		
			October 2011	Chairman of Tokyo Philharmonic Orchestra (current position)		
			August 2012	Chairman & Representative Director & team owner of Rakuten Baseball, Inc. (current position)		
			July 2016	Group President of Group Company Division of the Company (current position)		
			July 2017	Chairman & Representative Director of Rakuten Aspyrian Japan K.K. (currently Rakuten Medical K.K.) (current position)		
			February 2020	Director of AST & Science, LLC (current position)		
			March 2022	Representative Director & Chairman of Rakuten Mobile, Inc. (current position)		
			April 2022	Representative Director & Chairman of Rakuten Symphony, Inc. (current position)		
			April 2022	Vice Chairman of the Board & Co-CEO of Rakuten Medical, Inc. (current position)		

Title and position	Name	Date of birth	Career summary		Term	Number of shares of the Company held (Thousands of shares)
Representative Director & Vice Chairman	Masayuki Hosaka	July 31, 1954	April 1980 December 2003 May 2005 April 2009 February 2013 January 2014 March 2014 April 2016 July 2016	Joined ORIX Credit Corporation General Manager of Personal Finance Department of the Company Executive Officer of the Company President & Representative Director of Rakuten Credit, Inc. (currently Rakuten Card Co., Ltd.) (current position) Managing Executive Officer of the Company Executive Vice President of the Company Representative Director of the Company (current position) Representative Director & Vice Chairman of the Company (current position) President of Card & Payments Company of the Company (currently FinTech Group Company) (current position)	March 2023 to March 2024	113
Representative Director & Group Executive Vice President	Kentaro Hyakuno	June 6, 1967	June 1990 February 2007 July 2009 March 2013 March 2016 April 2016 April 2017 March 2021 July 2021 March 2022 April 2022	Joined Toyota Motor Corporation Executive Officer of the Company Managing Executive Officer of the Company Director & Managing Executive Officer of the Company Retired as Director of the Company Managing Executive Officer & COO of the Company Executive Vice President & COO of the Company Director, Group Executive Vice President & COO of the Company Director of JP Rakuten Logistics, Inc. (current position) Representative Director, Group Executive Vice President & COO of the Company (current position) President of Communications & Energy Company of the Company (current position)	March 2023 to March 2024	311

Title and position	Name	Date of birth	Career summary		Term	Number of shares of the Company held (Thousands of shares)
Director & Group Executive Vice President	Kazunori Takeda	May 17, 1961	April 1986	Joined Toyota Motor Corporation	March 2023 to March 2024	10
			May 1993	Received MBA from Harvard Business School		
			July 2006	Managing Executive Officer of the Company		
			November 2006	Managing Executive Officer & COO of the Company		
			March 2007	Director, Managing Executive Officer & COO of the Company		
			March 2016	Retired as Director of the Company		
			June 2016	Director of Toyooka Tourism Innovation (current position)		
			July 2016	President of Life & Leisure Company of the Company		
			April 2018	Group Executive Vice President of the Company (current position)		
			July 2018	President of Commerce Company of the Company		
			January 2019	Representative Director of Rakuten Business Support, Inc. (current position)		
			June 2019	Outside Director of Gurunavi, Inc. (current position)		
			March 2021	Director of SY Holdings Co., Ltd. (currently Seiyu Holdings Co., Ltd.) (current position)		
			July 2021	Representative Director & Chairman of JP Rakuten Logistics, Inc. (current position)		
			April 2022	President of Ad & Marketing Company of the Company		
			January 2023	President of Commerce & Marketing Company of the Company (current position)		
			March 2023	Director & Group Executive Vice President of the Company (current position)		
Director & Group Executive Vice President	Kenji Hirose	August 8, 1962	April 1985	Joined The Sanwa Bank, Ltd. (currently MUFG Bank, Ltd.)	March 2023 to March 2024	40
			September 2005	Joined Rakuten Securities, Inc.		
			January 2006	General Manager of Financial Business Department of the Company		
			November 2006	Executive Officer of the Company		
			March 2012	Managing Executive Officer of the Company		
			July 2016	Managing Executive Officer & CCO of the Company		
			April 2018	Managing Executive Officer, CFO & CRO of the Company		
			January 2019	Group Executive Vice President, CFO & CRO of the Company		
			February 2019	Group Executive Vice President & CFO of the Company		
			July 2021	Audit & Supervisory Board Member of JP Rakuten Logistics, Inc. (current position)		
			March 2023	Director, Group Executive Vice President & CFO of the Company (current position)		

Title and position	Name	Date of birth	Career summary		Term	Number of shares of the Company held (Thousands of shares)
Director	Sarah J. M. Whitley	August 6, 1958	September 1980	Joined Baillie Gifford & Co.	March 2023 to March 2024	—
			May 1986	Partner of Baillie Gifford & Co.		
			March 2019	Outside Director of the Company (current position)		
			May 2019	Trustee of Foundation Scotland (current position)		
			May 2019	Chair of the Edinburgh International Festival Endowment Fund (current position)		
			June 2019	Trustee of the Royal Scottish Academy Foundation (current position)		
			December 2021	Trustee of the Abbotsford Trust (current position)		
			January 2022	Chair of the Scottish Episcopal Church Pension Fund (current position)		
Director	Charles B. Baxter	April 19, 1965	October 1998	CEO of eTranslate, Inc.	March 2023 to March 2024	10
			March 2001	Director of the Company		
			March 2003	Retired as Director of the Company		
			September 2005	Manager of LinkShare Corporation (currently RAKUTEN MARKETING LLC) (current position)		
			March 2011	Director of the Company		
			February 2012	Chairman & Director of Rakuten USA, Inc. (current position)		
			January 2015	Chairman of Reyns Holdco, Inc. (current position)		
			November 2021	Director of Wineshipping.com LLC (current position)		
			March 2023	Outside Director of the Company (current position)		
Director	Takashi Mitachi	January 21, 1957	April 1979	Joined Japan Airlines Co., Ltd.	March 2023 to March 2024	—
			June 1992	Received MBA from Harvard Business School		
			October 1993	Joined the Boston Consulting Group		
			January 1999	Vice President & Partner of the Boston Consulting Group		
			January 2005	Japan Co-chair of the Boston Consulting Group		
			May 2005	Managing Director & Senior Partner of the Boston Consulting Group		
			March 2016	Outside Director of the Company (current position)		
			June 2016	Outside Director of Lotte Co., Ltd. (current position)		
			March 2017	Outside Director of DMG MORI CO., LTD. (current position)		
			June 2017	Board Member of Ohara Museum of Art (current position)		
			June 2017	Outside Director of Tokio Marine Holdings, Inc. (current position)		
			October 2017	Senior Advisor of The Boston Consulting Group		
			March 2018	Chief Executive Director of Ronald McDonald House Charities Japan (current position)		
			April 2020	Distinguished Professor of Graduate School of Management of Kyoto University (current position)		
			June 2022	Outside Director of SUMITOMO CORPORATION (current position)		
			October 2022	Representative Director and Chairman of K.K. Juku to Kan (current position)		

Title and position	Name	Date of birth	Career summary		Term	Number of shares of the Company held (Thousands of shares)
Director	Jun Murai	March 29, 1955	August 1984 March 1987 April 1987 April 1990 April 1997 May 2005 October 2009 September 2011 March 2012 October 2017 June 2018 April 2020 October 2020 September 2021 July 2022 October 2022	Assistant at Information Processing Center of Tokyo Institute of Technology Received Ph. D in Engineering from Keio University Assistant at Large-scale Computer Center of the University of Tokyo (currently Information Technology Center, the University of Tokyo) Associate Professor of Faculty of Environment and Information Studies of Keio University Professor of Faculty of Environment and Information Studies of Keio University Vice-President of Keio Gijuku Educational Corporation Professor of Faculty of Environment and Information Studies of Keio University Outside Director of BroadBand Tower, Inc. (current position) Outside Director of the Company (current position) Dean of the Graduate School of Media and Governance of Keio University Outside Director of LAC Co., Ltd. (current position) Professor of Keio University (current position) Special Advisor to the Cabinet (current position) Advisor to the Digital Agency (current position) Advisor and Senior Fellow of The International House of Japan, Inc. (current position) Director of World Wide Web Consortium, Inc. (current position)	March 2023 to March 2024	9
Director	Takaharu Ando	August 31, 1949	April 1972 January 1996 August 1999 August 2004 June 2009 May 2013 June 2016 June 2017 June 2018 May 2020 June 2022 March 2023	Joined National Police Agency Executive Secretary to the Prime Minister Director of Public Security Bureau of Tokyo Metropolitan Police Department Director General of Commissioner General's Secretariat of National Police Agency Commissioner General of National Police Agency Outside Director of Nitori Holdings Co., Ltd. Outside Director of AMUSE INC. (current position) Outside Director of Zensho Holdings Co., Ltd. (current position) Outside Director of TOBU RAILWAY CO., LTD. (current position) Outside Director (Audit & Supervisory Committee Member) of Nitori Holdings Co., Ltd. Outside Director (Audit & Supervisory Committee Member) of Nisshin Seifun Group Inc. (current position) Outside Director of the Company (current position)	March 2023 to March 2024	—

Title and position	Name	Date of birth	Career summary		Term	Number of shares of the Company held (Thousands of shares)
Director	Tsedal Neeley	December 16, 1972	July 2007	Assistant Professor of Harvard Business School	March 2023 to March 2024	—
			July 2012	Associate Professor of Harvard Business School		
			December 2015	Outside Director of The Partnership, Inc. (current position)		
			July 2018	Naylor Fitzhugh Professor of Business Administration of Harvard Business School (current position)		
			July 2019	Director of Harvard Business Publishing (current position)		
			June 2020	Outside Director of Brown Capital Management, LLC (current position)		
			July 2020	Outside Director of Brightcove, Inc. (current position)		
			July 2020	Senior Associate Dean for Faculty Development and Research of Harvard Business School (current position)		
			January 2021	Faculty Chair of the Christensen for Teaching and Learning of Harvard Business School (current position)		
			March 2023	Outside Director of the Company (current position)		
Director	Shigeki Habuka	April 14, 1958	April 1981	Joined the Ministry of Finance	March 2023 to March 2024	—
			July 2003	Director of the Budget Bureau of the Ministry of Finance		
			July 2005	Director of the Indirect Tax Policy Division, Tax Bureau of the Ministry of Finance		
			January 2008	Deputy Director-General of the Ministry of Defense		
			September 2009	Executive Secretary to the Prime Minister		
			September 2011	Deputy Director-General of the Budget Bureau of the Ministry of Finance		
			January 2014	Director General of the Cabinet Office		
			June 2016	Vice-Minister for Policy Coordination of the Cabinet Office		
			November 2017	Executive Officer of Corporate Strategy Department of Mitsubishi Chemical Holdings Corporation (currently Mitsubishi Chemical Group Corporation)		
			April 2019	Corporate Executive Officer (co-charge of the Public Policy and Relation Office and the PR and IR Office (PR)) of Mitsubishi Chemical Holdings Corporation (currently Mitsubishi Chemical Group Corporation)		
			April 2022	Corporate Executive Officer and Senior Vice President (responsible for Public Relation) of Mitsubishi Chemical Holdings Corporation (currently Mitsubishi Chemical Group Corporation) (current position)		
			March 2023	Outside Director of the Company (current position)		

Title and position	Name	Date of birth	Career summary		Term	Number of shares of the Company held (Thousands of shares)
Audit & Supervisory Board Member (Full-time)	Yoshito Naganuma	June 29, 1965	April 1988	Joined Nichido Fire & Marine Insurance Co., Ltd. (currently Tokio Marine & Nichido Fire Insurance Co., Ltd.)	March 2023 to March 2027	6
			April 2002	Manager of Financial Planning Department of Nichido Fire & Marine Insurance Co., Ltd. and Manager of Operation Audit Group, Legal Risk Management Department of Millea Holdings, Inc. (currently Tokio Marine Holdings, Inc.)		
			April 2003	Manager of Accounting Section, Corporate Accounting Department (in charge of operation promotion) of Nichido Fire & Marine Insurance Co., Ltd. (currently Tokio Marine & Nichido Fire Insurance Co., Ltd.)		
			October 2004	Deputy Manager of Sapporo Business Accounting Group, Business Accounting Service Department of Tokio Marine & Nichido Fire Insurance Co., Ltd.		
			November 2005	Joined bitwallet, Inc. (currently Rakuten Edy, Inc.)		
			May 2013	Executive Officer & General Manager of Administration Department of Rakuten Edy, Inc.		
			July 2018	Executive Officer & General Manager of Brand Policy Department of Rakuten Edy, Inc.		
			April 2019	Executive Officer & Office Manager of Internal Audit Office of Rakuten Edy, Inc. and General Manager of Corporate Planning Department of Rakuten Socio Business, Inc.		
			April 2022	General Manager of Planning Division and General Manager of Corporate Planning Department of Rakuten Socio Business, Inc.		
			October 2022	General Manager of Management Division, General Manager of Corporate Planning Department, and General Manager of Human Resources Department of Rakuten Socio Business, Inc.		
			January 2023	General Manager of Business Management Division and General Manager of Business Management Department of Rakuten Socio Business, Inc.		
			March 2023	Full-time Audit & Supervisory Board Member of the Company (current position)		

Title and position	Name	Date of birth	Career summary		Term	Number of shares of the Company held (Thousands of shares)
Audit & Supervisory Board Member (Full-time)	Satoshi Fujita	April 16, 1960	April 1984	Joined Saitama Bank, Ltd. (currently Resona Bank, Limited)	March 2022 to March 2026	—
			July 2003	General Manager of Tarumi Branch of Resona Bank, Limited		
			July 2005	Group Leader at Product Planning Division of Resona Holdings, Inc.		
			March 2007	General Executive of Finance Division of Kenwood Corporation (currently JVCKENWOOD Corporation)		
			October 2008	General Manager in Charge of Finance, Financial Strategy Division of JVC KENWOOD Holdings, Inc. (currently JVCKENWOOD Corporation)		
			June 2009	General Executive of Financial Strategy Division of JVC KENWOOD Holdings, Inc.		
			June 2010	Senior Vice President & Executive Officer, General Executive of Financial Strategy Division of JVC KENWOOD Holdings, Inc.		
			June 2011	Executive Officer, Chief Financial Officer (CFO), General Executive of Financial Strategy Division of JVC KENWOOD Holdings, Inc.		
			June 2012	Director of the Board, Executive Officer, Chief Financial Officer (CFO), General Executive of Financial Strategy Division of JVCKENWOOD Corporation		
			June 2013	Senior Vice President & Executive Officer, General Executive of Financial Strategy Division, General Executive of Finance & Accounting Division of JVCKENWOOD Corporation		
			June 2015	Executive Officer, Chief Financial Officer (CFO) of JVCKENWOOD Corporation		
			June 2016	Senior Managing Executive Officer, Chief Financial Officer (CFO) of JVCKENWOOD Corporation		
			June 2017	Full-time Audit & Supervisory Board Member of JVCKENWOOD Corporation		
			March 2022	Full-time Outside Audit & Supervisory Board Member of the Company (current position)		
			March 2022	Audit & Supervisory Board Member of Rakuten Mobile, Inc. (current position)		

Title and position	Name	Date of birth	Career summary		Term	Number of shares of the Company held (Thousands of shares)
Audit & Supervisory Board Member	Katsuyuki Yamaguchi	September 22, 1966	April 1991	Registered with Dai-ichi Tokyo Bar Association Joined Nishimura & Partners (currently Nishimura & Asahi)	March 2020 to March 2024	70
			May 1997	Graduated from Columbia Law School (LL.M.)		
			September 1997	Served Debevoise & Plimpton LLP in New York		
			January 1998	Admitted as Attorney-at-law in New York, USA		
			May 1998	Served Debevoise & Plimpton LLP in Paris		
			February 1999	Served Simeon & Associes in Paris		
			July 1999	Reinstated at Nishimura & Partners (currently Nishimura & Asahi)		
			August 2000	Attorney and Partner of Nishimura & Partners (currently Nishimura & Asahi)		
			March 2001	Outside Audit & Supervisory Board Member of the Company (current position)		
			July 2007	Outside Audit & Supervisory Board Member of FreeBit Co., Ltd. (current position)		
			September 2013	Outside Audit & Supervisory Board Member of BrainPad Inc.		
			June 2015	Outside Audit & Supervisory Board Member of Hakuhodo DY Holdings Inc. (current position)		
			April 2016	Director of Lex Mundi		
			September 2018	Managing Partner of Nishimura & Asahi NY LLP (current position)		
			September 2021	Director (External/Member of the Audit and Supervisory Committee) of BrainPad Inc. (current position)		

Title and position	Name	Date of birth	Career summary		Term	Number of shares of the Company held (Thousands of shares)
Audit & Supervisory Board Member	Maki Kataoka	July 4, 1958	April 1982	Joined Arthur Andersen Certified Public Accountants Office (currently KPMG AZSA LLC)	March 2023 to March 2027	—
			May 1987	Registered as a Certified Public Accountant		
			June 1989	Received MBA from Stanford Graduate School of Business		
			August 1989	Joined Sanwa Research Institute Corp. (currently Mitsubishi UFJ Research and Consulting Co., Ltd.)		
			April 1994	Joined Tokyo Metropolitan Police Department		
			March 2009	Director of Tokyo Metropolitan Police Department		
			March 2014	Professor of National Police Academy		
			August 2017	Executive Director of Tokyo Metropolitan Police Department		
			October 2018	Public Relations Advisor of Regional Public Relations Administration Group, HQ General Affairs Department of Sony Corporation (currently Sony Group Corporation) (current position)		
			June 2020	Outside Corporate Auditor of SHIBAURA ELECTRONICS CO., LTD. (current position)		
			April 2022	Member of Public Interest Commission of Cabinet Office (current position)		
			March 2023	Outside Audit & Supervisory Board Member of the Company (current position)		
Total						176,915

(Notes) 1. Seven Directors, Sarah J. M. Whitley, Charles B. Baxter, Takashi Mitachi, Jun Murai, Takaharu Ando, Tsedal Neeley, and Shigeki Habuka are Outside Directors.

2. Three Audit & Supervisory Board Members, Satoshi Fujita, Katsuyuki Yamaguchi, and Maki Kataoka are Outside Audit & Supervisory Board Members.

2) Outside Directors and Outside Audit & Supervisory Board Members

The Company's twelve-member Board of Directors currently includes seven Outside Directors, and three of four Audit & Supervisory Board Members are Outside Audit & Supervisory Board Members.

Director Takashi Mitachi is a Distinguished Professor of Graduate School of Management of Kyoto University, to which the Company pays participation fees for events held by the university. The ratio of fees in fiscal year 2022 was less than 1% of the combined total amount of the cost of sales and the selling, general, and administrative expenses of the Company for the year.

Director Jun Murai is Professor of Keio University; the university shares a role in operating an international standardization body to which the Company pays membership fees. The ratio of fees in fiscal year 2022 was less than 1% of the combined total amount of the cost of sales and the selling, general, and administrative expenses of the Company for the year. He is also an Outside Director of BroadBand Tower, Inc. and Outside Director of LAC Co., Ltd., each of which has a business relationship with the Company. The ratio of transactions between BroadBand Tower, Inc. and LAC Co., Ltd. and the Company in fiscal year 2022 was both less than 1% of the combined total amount of the cost of sales and the selling, general, and administrative expenses of the Company for the year.

Director Takaharu Ando has a business relationship including provision of services with the Company. The ratio of transactions between him and the Company in fiscal year 2022 was less than 1% of the combined total amount of the cost of sales and the selling, general, and administrative expenses of the Company for the year. He is also an Outside Director of AMUSE INC., to which the Company pays music royalties, etc. The ratio of such payments in fiscal year 2022 was less than 1% of the combined total amount of the cost of sales and the selling, general, and administrative expenses of the Company for the year.

Audit & Supervisory Board Member Katsuyuki Yamaguchi is a Managing Partner of Nishimura & Asahi NY LLP and Director (External/Member of the Audit and Supervisory Committee) of BrainPad Inc., each of which has a business relationship including provision of services with the Company. The ratio of the amount of transactions between Nishimura & Asahi NY LLP and BrainPad Inc. and the Company in fiscal year 2022 was both less than 1% of the combined total amount of cost of sales and the selling, general, and administrative expenses of the Company for the year.

Mr. Charles B. Baxter and Mr. Jun Murai, Outside Directors, and Mr. Katsuyuki Yamaguchi, Outside Audit & Supervisory Board Member, respectively hold the Company's shares, and the numbers of shares held by them are as described in the respective columns of "Number of shares held" in "(2) Directors 1) List of Officers". There are no other personal, capital or business relationships or significant interests.

With the aim of ensuring a high level of transparency and strong management supervision, thereby increasing the corporate value, the Company, in selecting its Independent Directors and Independent Audit & Supervisory Board Members, determines persons who, in principle, do not fall under any of the following criteria to be independent, and seven Outside Directors, namely Ms. Sarah J. M. Whitley, Mr. Charles B. Baxter, Mr. Takashi Mitachi, Mr. Jun Murai, Mr. Takaharu Ando, Ms. Tsedal Neeley, and Mr. Shigeki Habuka, and three Outside Audit & Supervisory Board Members, namely Mr. Satoshi Fujita, Mr. Katsuyuki Yamaguchi, and Ms. Maki Kataoka are appointed to the position of Independent Director/Audit & Supervisory Board Member specified by the regulations of the Tokyo Stock Exchange. When nominating candidates for Outside Director, the Company considers whether the candidates fall under any of the following criteria.

a. A party whose major client is the Company or an executive thereof (*1) or a major client (*2) of the Company or an executive thereof
b. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as Directors or Audit & Supervisory Board Members (if the party receiving the said property is an organization such as corporation or association, parties who belong to the said organization)
c. A party who substantially has 10% or more of the Company's total voting rights, or an executive thereof
d. A person or party who has recently fallen under any of a) through c) above (*3)
e. A close relative of a person who falls under the following criteria (excluding immaterial persons)
   1) A person who falls under any of a) through d) above
   2) An executive of a subsidiary of the Company
   3) A non-executive Director of a subsidiary of the Company (limited to the case where Outside Audit & Supervisory Board Member is appointed as an Independent Audit & Supervisory Board Member)
   4) A person who has recently fallen under 2) or 3) above, or recently been an executive of the Company (including a non-executive Director in the case where Outside Audit & Supervisory Board Member is appointed as an Independent Audit & Supervisory Board Member)

*1: An executive as stipulated in Article 2, Paragraph 3, Item 6 of the Ordinance for Enforcement of the Companies Act, which includes employees in addition to Executive Directors.
*2: Refers to cases in which, using the transaction amount with the Company as the criterion, the sum of the Company’s total purchase amount accounts for 1% or more of the combined total amount of cost of sales and the selling, general, and administrative expenses of the Company.
*3: Cases which are considered, in effect, equivalent to the present condition, such as where a party or person fell under any of a) through c) at the time the contents of the proposal of the General Shareholders’ Meeting are determined for the election of such Independent Directors or Independent Audit & Supervisory Board Members as Outside Directors or Outside Audit & Supervisory Board Members.

There are seven Outside Directors. Ms. Sarah J. M. Whitley has wide-ranging expertise and many years of experience in observing the Company and other Japanese companies mainly as an investor. Mr. Charles B. Baxter has expertise and wide-ranging experience mainly in the Internet industry and corporate management. Mr. Takashi Mitachi has extensive experience and expertise mainly as a business consultant. Mr. Jun Murai has a distinguished background as an academic expert in internet technology. Mr. Takaharu Ando has extensive experience and wide-ranging insight gained from serving in various important positions in police organizations, including Commissioner General of National Police Agency. Ms. Tsedal Neeley has extensive experience and wide-ranging insight gained from serving as a professor at Harvard Business School and as an Outside Director of a U.S. listed company. And Mr. Shigeki Habuka has extensive experience gained from serving in various important positions in administrative agencies, including Vice-Minister for Policy Coordination of the Cabinet Office and his wide-ranging insight on financial administration and external affairs. All Outside Directors have been appointed in expectation of their ability to provide management with advice and opinions to enhance the Company’s corporate value based on their experience and expert knowledge.

There are three Outside Audit & Supervisory Board Members. Mr. Satoshi Fujita has extensive knowledge and experience mainly in the fields of finance and business management. Mr. Katsuyuki Yamaguchi has expertise and wide-ranging experience as an attorney primarily learned in corporate law. Ms. Maki Kataoka has expertise mainly as a certified public accountant, abundant experience having held important posts such as a Director of Tokyo Metropolitan Police Department, as well as specialized knowledge of finance, accounting, and internal controls. They have been appointed in anticipation of their contribution to the Company's audit system.

Documents for meetings of the Board of Directors are forwarded in advance to the Outside Directors and Outside Audit & Supervisory Board Members, who, if necessary, can also seek advance briefings from and consultations with the units concerned. As noted above, the Outside Audit & Supervisory Board Members also actively exchange views and collaborate with the Internal Audit Department and the independent auditors.

(3) Audits

1) Audits by Audit & Supervisory Board Members

(a) Organization, Personnel and Procedures of Audits by Audit & Supervisory Board Members

Information about organization, personnel and procedures of audits by Audit & Supervisory Board Members can be found under “(1) Overview of Corporate Governance 2) Corporate Governance (b) Corporate Organization (Audit & Supervisory Board Members and the Audit & Supervisory Board)”.

(b) Activities of Audit & Supervisory Board Members and the Audit & Supervisory Board

The Company held a total of seven meetings of the Audit & Supervisory Board during the current fiscal year, and the attendance of each Audit & Supervisory Board Member is as follows.

Title and position	Name	Attendance of the meetings of the Audit & Supervisory Board
Audit & Supervisory Board Member (Full-time)	Yoshiaki Nishikawa	7 out of the 7 meetings
Outside Audit & Supervisory Board Member (Full-time)	Satoshi Fujita	5 out of the 5 meetings
Outside Audit & Supervisory Board Member	Katsuyuki Yamaguchi	7 out of the 7 meetings

(Note) Differences in the total number of times are due to the difference in the timing of appointment.

As main matters for deliberation, the Audit & Supervisory Board appropriately discusses matters to be resolved in accordance with laws, regulations, and the Articles of Incorporation, including the election of full-time Audit & Supervisory Board Members and the Chairman of the Audit & Supervisory Board, auditing policies and audit plans, consent for the remuneration of the independent auditor, consent for the proposal for the election of Audit & Supervisory Board Members, and the determination of the reappointment of the independent auditor. The Audit & Supervisory Board also reports, as appropriate, on matters relating to the Company’s financial results, the status of responses by the Company and the independent auditor regarding Key Audit Matters, internal controls, the status of business execution by Directors, the status of audits, etc., and exchanges opinions on these matters.

Audit & Supervisory Board Members attend meetings of the Board of Directors, audit the proceeding and the content of resolutions, and express opinions, as necessary. In addition, Audit & Supervisory Board Members, primarily full-time Audit & Supervisory Board Members, conduct audits on the execution of duties of Directors by attending important meetings including Management Meetings, receiving reports from Directors, etc., observing and inspecting important approval documents, and gathering information through divisions and the Group Companies, etc. Audit & Supervisory Board Members also receive reports on the implementation status and results of audits from Audit & Supervisory Board Members of the Group Companies and make efforts to enhance the effectiveness of audits of the entire Group. Part-time Audit & Supervisory Board Members receive reports on the status and results of audits from full-time Audit & Supervisory Board Members, exchange opinions on the appropriateness and the adequacy of such audits, and make efforts to enhance the effectiveness of audits.

2) Internal Audits

(a) Organization, Personnel and Procedures

Internal audits are conducted by the 33-member (including General Manager) Internal Audit Department, which is an independent unit reporting directly to the CEO. Head office divisions, business units and the Group Companies are all subject to internal auditing. Audits are implemented under plans approved by the Board of Directors with the aim of verifying the legality, appropriateness and efficiency of operations. The purpose of the internal audit process is to ensure that business operations are conducted in an appropriate manner by identifying any improvements that may be required, and by monitoring the implementation of those improvements. Audit results are reported to the CEO and the Audit & Supervisory Board Members, and particularly important audit results are reported to the Board of Directors.

(b) Mutual Cooperation between Internal Audits, Audits by Audit & Supervisory Board Members and Audits by Independent Auditors, and the Relationship with Internal Control Divisions

The Internal Audit Department shares the results, etc. of the internal audits at regular meetings with Audit & Supervisory Board Members, and conducts information sharing with independent auditors including regular exchange of opinions and the results of the internal audits. A Three-Party Audit Meeting is held as needed, and an exchange of opinions among the three parties is conducted. In addition, the Internal Audit Department is also working to enhance the effectiveness of internal audits throughout the group by working closely with the other auditors of the Group Companies. Furthermore, the Internal Audit Department evaluates the design and operating status of internal controls over financial reporting based on guidelines by the Financial Services Agency and internal regulations, and shares such information with internal control divisions, as appropriate. Internal control divisions make efforts to improve the internal control system based on such information, as necessary.

3) Audits by Independent Auditors

(a) Name of the Independent Auditor

Ernst & Young ShinNihon LLC

The Company has entered into an auditing agreement with Ernst & Young ShinNihon LLC, which conducts financial audits in accordance with the Japanese Companies Act and the Financial Instruments and Exchange Act.

(b) Continuous Audit Period

25 years

(c) Certified public accountants

In the current fiscal year, audits were conducted by the following certified public accountants.

Designated and Engagement Partner	Takeshi Saida
Designated and Engagement Partner	Isamu Ando
Designated and Engagement Partner	Kenji Kuroki

(d) Numbers of Assistants

In the current fiscal year, audits were assisted by the following assistants.

30 certified public accountants and 48 others

(e) Selection Policy, Reasons and Evaluation of Audit Firms

The Audit & Supervisory Board has established standards for properly selecting and evaluating independent auditors. Based on these standards, the Audit & Supervisory Board conducts a comprehensive review every fiscal year, taking into account matters such as the quality control system, independence, cooperation with business execution departments, audit implementation systems and audit fees of the auditing firm.

In the case where the independent auditor is believed to be applicable to any item of Article 340, Paragraph 1 of the Companies Act, the Audit & Supervisory Board shall consider the dismissal thereof and carry out such dismissal if such action is found adequate subject to the unanimous consent of all Audit & Supervisory Board Members. Also, the Audit & Supervisory Board shall decide the details of any proposal on dismissal or non-reappointment of the independent auditor to be presented to Shareholders' Meeting, if such action is deemed necessary for example, in cases where the independent auditor is found to have difficulty fulfilling their duties adequately.

In addition, the appropriateness and validity of the independent auditor are evaluated from the perspective of their quality control situation, the independence of their audit team, the appropriateness of the system to execute their duties, and their response to risk of fraud.

4) Audit Fees, etc.

(a) Audit Fees Paid to Certified Public Accountants, etc.

Item	2021		2022	
	Millions of Yen		Millions of Yen	
	Fees paid for audit certification services	Fees paid for non-audit services	Fees paid for audit certification services	Fees paid for non-audit services
Company submitting financial reports	199	38	226	46
Subsidiaries	471	9	600	20
Total	670	47	826	66

The details of the non-audit services for the Company mainly consisted of consulting services and preparation of a comfort letter related to issuance of corporate bonds in the previous fiscal year and preparation of a comfort letter related to issuance of corporate bonds in the current fiscal year. The details of the non-audit services for the subsidiaries mainly consisted of guarantee services pertaining to the legal compliance in the segregated management of customer assets in the previous fiscal year and guarantee services pertaining to the legal compliance in the segregated management of customer assets and preparation of a comfort letter related to issuance of corporate bonds in the current fiscal year.

(b) Remuneration Paid to the Same Network (Ernst & Young Group) as Certified Public Accountants, etc., excluding the abovementioned (a)

Item	2021		2022	
	Millions of Yen		Millions of Yen	
	Fees paid for audit certification services	Fees paid for non-audit services	Fees paid for audit certification services	Fees paid for non-audit services
Company submitting financial reports	—	26	—	10
Subsidiaries	218	278	279	265
Total	218	304	279	275

The details of the non-audit services for the Company mainly consisted of support services for governance-related project management for the previous fiscal year and the current fiscal year. The details of the non-audit services for the subsidiaries mainly consisted of formulation of strategies, research, and preparation of documents for the previous fiscal year and digital transformation promotion advisory services for the current fiscal year.

(c) Other Important Matters Pertaining to Fees

Fiscal year ended December 31, 2021

Not applicable.

Fiscal year ended December 31, 2022

Not applicable.

(d) Policy on Setting of Audit Fees

The policy regarding audit fees is appropriately determined with the consent of the Audit & Supervisory Board in accordance with laws and regulations, based on relevant factors, including the size of the Company, the characteristics of its business activities, and the number of days required for audits.

(e) Reasons the Audit & Supervisory Board Agreed to the Remuneration of Independent Auditors

The Audit & Supervisory Board has agreed to the amount of remuneration, etc. for the independent auditor as a result of verifying and evaluating the details of the auditing plan for the current fiscal year, including number of days required for audits and placement of personnel, as well as the audit results of the previous year, which were explained by the independent auditor, and scrutinizing the appropriateness of the audit performance of the independent auditor, as well as the basis for calculating the estimate used as a premise for the remuneration.

(4) Remuneration for Directors and Audit & Supervisory Board Members

1) Total Amounts of Fees, etc., for Each Category of Officers of the Company Submitting Financial Reports, Total Amount of Each Type of Remuneration Paid, and Number of Recipients

Category of officer	Total amount of fees, etc. (Millions of Yen)	Total amount of each type of remuneration (Millions of Yen)			Number of recipients
		Basic fees	Bonuses	Share options	
Directors	638	288	99	251	9
(Of which, Outside Directors)	(61)	(46)	(—)	(15)	(5)
Audit & Supervisory Board Members	55	55	—	—	5
(Of which, Outside Audit & Supervisory Board Members)	(38)	(38)	(—)	(—)	(4)
Total	693	343	99	251	14

(Notes) 1. The total amount of compensation of Directors shall not exceed the maximum amount (¥1,400 million per year, including ¥200 million for Outside Directors) resolved at the 18th Annual General Shareholders' Meeting held on March 27, 2015. The number of Directors at the conclusion of this Annual General Shareholders' Meeting was 16, including five Outside Directors.

2. The total amount of compensation of Audit & Supervisory Board Members is within the upper limit of ¥120 million as stipulated in a resolution of the 10th Annual General Shareholders' Meeting held on March 29, 2007. The number of Audit & Supervisory Board Members at the conclusion of this Annual General Shareholders' Meeting was four.

3. As compensation for Directors (excluding Outside Directors), the Company resolved at the 23rd Annual General Shareholders' Meeting held on March 27, 2020 to grant share options as stock options exercisable while in service (maximum 10,000 units per fiscal year) and share options as retirement compensation stock options (maximum 10,000 units per fiscal year) as respectively detailed below to Directors (excluding Outside Directors), separately from the compensation described in Notes 1. and 2. The number of Directors (excluding Outside Directors) at the conclusion of this Annual General Shareholders' Meeting was three. The Company has granted 95 units of share options as stock options exercisable while in service and 2,507 units of share options as retirement compensation stock options to Directors (excluding Outside Directors) in the fiscal year. The details of each share option are as follows.

I. Share options as stock options exercisable while in service

(1)Persons to whom share options will be allotted

Directors of the Company

(2)Class and number of shares to be issued upon exercise of share options

The class of shares to be issued upon the exercise of share options will be common stock of the Company, and the number of shares to be issued in each fiscal year will not exceed 1,000,000. However, if the Company splits its common stock (including allotment of its common stock without compensation; hereinafter the same will apply) or consolidates its common stock, the number of shares to be issued upon exercise of each unit of such share options will be adjusted according to the following formula; provided that such adjustment will be made only to those that remain unexercised or uncanceled at the time of such adjustment and; provided, further, that if any fraction less than one share arises as a result of such adjustment, such fraction shall be discarded.

Number of shares after adjustment = Number of shares
before adjustment × Ratio of split or consolidation

In addition, if the Company carries out a merger, company split, share exchange, share transfer, or other action that makes it necessary to adjust the number of shares, the number of shares will be adjusted within a reasonable range, taking into account the conditions of the merger, company split, share exchange, share transfer, or other similar actions.

(3) Total number of share options to be issued

Share options to be issued in each fiscal year will not exceed 10,000 units.

One hundred shares will be issued for each share option; provided, however, that in the event of any adjustment in the number of shares stipulated in (2) above, the number of shares to be issued for the share options will be adjusted accordingly.

(4) Cash payment for share options

No cash payment is required for share options.

(5) Value of the assets to be contributed upon exercise of share options

The price for one share option will be one yen.

(6) Exercise period of share options

The exercise period will be from the date on which one year has passed from the issuance of the share options (hereinafter “Date of Issuance”) to the date on which ten years have passed from the Date of Issuance. If the final day of the exercise period falls on a holiday of the Company, the final day will be the working day immediately preceding the final day.

(7) Conditions for exercising the share options

1) Those who received an allotment of the issue of Share Options (hereinafter “Holders of Share Options”) will remain Directors (excluding Outside Directors), Executive Officers, Audit & Supervisory Board Members or employees of the Company, or its subsidiaries or affiliates at the time of exercising such rights; provided, however, that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances and in the event where the Holders of Share Options have made applications for the exercise of share options in accordance with the procedures prescribed by the Company by the date of retirement (or by the application date immediately following the date of retirement if it is recognized that there are justifiable grounds for not being able to make the application by the date of retirement).

2) Share options may not be inherited; provided, however, that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.

3) Share options may not be offered for pledge or disposed of in any other way.

4) Share options may be exercised by the Holder of Share Options, in whole or in part, according to the following categories.

i) The entire allotment of share options may not be exercised prior to the date on which one year has passed from the Date of Issuance.

ii)15% of the allotment of share options may be exercised from the date on which one year has passed from the Date of Issuance to the date prior to the date on which two years have passed from the Date of Issuance (if a fraction less than one unit arises in the number of exercisable share options, such fraction will be discarded).

iii) 35% of the allotment of share options (if a portion of the allotment of share options had been exercised prior to the date on which two years have passed from the Date of Issuance, the total amount exercisable including the previously exercised portion shall be 35%) may be exercised from the date on which two years have passed from the Date of Issuance to the date prior to the date on which three years have passed from the Date of Issuance (if a fraction less than one unit arises in the number of exercisable share options, such fraction will be discarded).

iv) 65% of the allotment of share options (if a portion of the allotment of share options had been exercised prior to the date on which three years have passed from the Date of Issuance, the total amount exercisable including the previously exercised portion will be 65%) may be exercised from the date on which three years have passed from the Date of Issuance to the date prior to the date on which four years have passed from the Date of Issuance (if a fraction less than one unit arises in the number of exercisable share options, such fraction will be discarded).

v) The entire allotment of share options may be exercised from the date on which four years have passed from the Date of Issuance to the date on which ten years have passed from the Date of Issuance.

5) The Holders of Share Options have duties to pay all taxes (including but not limited to income tax, social security contributions, pensions, and employment insurance premiums, irrespective of whether prescribed within Japan) specified by laws and regulations in relation to stock options and shares. In cases where the Company and its subsidiaries and affiliates are obliged to levy income tax, etc., the relevant company obliged to levy income tax, etc. will be able to levy tax from Holders of Share Options by the methods listed below.

i) Receipt by cash

ii)Appropriation of shares owned by the Holders of Share Options

iii) Deduction from salaries, bonuses, etc. of the Holders of Share Options

iv) Other methods specified by the Company

(8)Restriction on the acquisition of share options by transfer

Any acquisition of share options by transfer will require approval via a resolution of the Board of Directors of the Company.

(9)Other details of share options

Other details of share options will be determined by the meeting of the Board of Directors to determine the conditions of the offer of share options.

II. Share options as retirement compensation stock options

(1)Persons to whom share options will be allotted

Directors of the Company who serve concurrently as Executive Officers of the Company.

(2)Class and number of shares to be issued upon exercise of share options

The class of shares to be issued upon the exercise of share options will be common stock of the Company, and the number of shares to be issued in each fiscal year will not exceed 1,000,000. However, if the Company splits its common stock (including allotment of its common stock without compensation; hereinafter the same will apply) or consolidates its common stock, the number of shares to be issued upon exercise of each unit of such share options will be adjusted according to the following formula; provided that such adjustment will be made only to those that remain unexercised or uncanceled at the time of such adjustment and; provided, further, that if any fraction less than one share arises as a result of such adjustment, such fraction shall be discarded.

Number of shares after adjustment = Number of shares
before adjustment × Ratio of split or consolidation

In addition, if the Company carries out a merger, company split, share exchange, share transfer, or other action that makes it necessary to adjust the number of shares, the number of shares will be adjusted within a reasonable range, taking into account the conditions of the merger, company split, share exchange, share transfer, or other similar actions.

(3) Total number of share options to be issued

Share options to be issued in each fiscal year will not exceed 10,000 units.

One hundred shares will be issued for each share option; provided, however, that in the event of any adjustment in the number of shares stipulated in (2) above, the number of shares to be issued for the share options will be adjusted accordingly.

(4) Cash payment for share options

No cash payment is required for share options.

(5) Value of the assets to be contributed upon exercise of share options

The price for one share option will be one yen.

(6) Exercise period of share options

The exercise period will be from the date on which share options are issued (hereinafter "Date of Issuance") until the date on which 40 years have passed from the Date of Issuance. If the final day of the exercise period falls on a holiday of the Company, the final day will be the working day immediately preceding the final day.

(7) Conditions for exercise of share options

1) Those who received an allotment of the issue of share options (hereinafter "Holders of Share Options"), shall exercise such rights within ten days from the date on which they retire as Directors, Executive Officers, Audit & Supervisory Board Members and employees of the Company and its subsidiaries and affiliates.

2) Share options may not be inherited; provided, however, that exceptional treatment may be allowed in this regard by the Board of Directors of the Company in consideration of circumstances.

3) Share options may not be offered for pledge or disposed of in any other way.

4) The Holders of Share Options have duties to pay all taxes (including but not limited to income tax, social security contributions, pensions, and employment insurance premiums, irrespective of whether prescribed within Japan) specified by laws and regulations in relation to stock options and shares. In cases where the Company and its subsidiaries and affiliates are obliged to levy income tax, etc., the relevant company obliged to levy income tax, etc. will be able to levy tax from Holders of Share Options by the methods listed below.

i) Receipt by cash

ii) Appropriation of shares owned by the Holders of Share Options

iii) Deduction from salaries, bonuses, etc. of the Holders of Share Options

iv) Other methods specified by the Company

(8) Restriction on the acquisition of share options by transfer

Any acquisition of share options by transfer will require approval via a resolution of the Board of Directors of the Company.

(9)Other details of share options

Other details of share options will be decided at the meeting of the Board of Directors of the Company to determine the conditions of the offer of share options.

4 As compensation for Outside Directors, the Company resolved at the 25th Annual General Shareholders' Meeting held on March 30, 2022 to grant share options as stock options exercisable while in service (maximum 1,000 units per fiscal year) as respectively detailed below to Outside Directors, separately from the compensation described in Notes 1. and 2. The number of Outside Directors at the conclusion of this Annual General Shareholders' Meeting was five. The Company has granted 587 units of share options as stock options exercisable while in service to Outside Directors in the fiscal year. The details of each share option are as follows.

Share options as stock options exercisable while in service

(1)Persons to whom share options will be allotted

Outside Directors of the Company

(2)Class and number of shares to be issued upon exercise of share options

The class of shares to be issued upon the exercise of share options will be common stock of the Company, and the number of shares to be issued in each fiscal year will not exceed 100,000. However, if the Company splits its common stock (including allotment of its common stock without compensation; hereinafter the same will apply) or consolidates its common stock, the number of shares to be issued upon exercise of each unit of such share options will be adjusted according to the following formula; provided that such adjustment will be made only to those that remain unexercised or uncanceled at the time of such adjustment and; provided, further, that if any fraction less than one share arises as a result of such adjustment, such fraction shall be discarded.

Number of shares after adjustment = Number of shares before adjustment × Ratio of split or consolidation

In addition, if the Company carries out a merger, company split, share exchange, share transfer, or other action that makes it necessary to adjust the number of shares, the number of shares will be adjusted within a reasonable range, taking into account the conditions of the merger, company split, share exchange, share transfer, or other similar actions.

(3)Total number of share options to be issued

Share options to be issued in each fiscal year will not exceed 1,000 units.

One hundred shares will be issued for each share option; provided, however, that in the event of any adjustment in the number of shares stipulated in (2) above, the number of shares to be issued for the share options will be adjusted accordingly.

(4)Cash payment for share options

No cash payment is required for share options.

(5)Value of the assets to be contributed upon exercise of share options

The price for one share option will be one yen.

(6)Exercise period of share options

The exercise period will be from the date on which one year has passed from the issuance of the share options (hereinafter "Date of Issuance") to the date on which ten years have passed from the Date of Issuance. If the final day of the exercise period falls on a holiday of the Company, the final day will be the working day immediately preceding the final day.

(7) Conditions for exercising the share options

1) Those who received an allotment of the issue of Share Options (hereinafter “Holders of Share Options”) will remain Directors, Executive Officers, Audit & Supervisory Board Members or employees of the Company, or its subsidiaries or affiliates at the time of exercising such rights; provided, however, that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances and in the event where the Holders of Share Options have made applications for the exercise of share options in accordance with the procedures prescribed by the Company by the date of retirement (or by the application date immediately following the date of retirement if it is recognized that there are justifiable grounds for not being able to make the application by the date of retirement).

2) Share options may not be inherited; provided, however, that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.

3) Share options may not be offered for pledge or disposed of in any other way.

4) Share options may be exercised by the Holder of Share Options, in whole or in part, according to the following categories.

i) The entire allotment of share options may not be exercised prior to the date on which one year has passed from the Date of Issuance.

ii)15% of the allotment of share options may be exercised from the date on which one year has passed from the Date of Issuance to the date prior to the date on which two years have passed from the Date of Issuance (if a fraction less than one unit arises in the number of exercisable share options, such fraction will be discarded).

iii) 35% of the allotment of share options (if a portion of the allotment of share options had been exercised prior to the date on which two years have passed from the Date of Issuance, the total amount exercisable including the previously exercised portion shall be 35%) may be exercised from the date on which two years have passed from the Date of Issuance to the date prior to the date on which three years have passed from the Date of Issuance (if a fraction less than one unit arises in the number of exercisable share options, such fraction will be discarded).

iv) 65% of the allotment of share options (if a portion of the allotment of share options had been exercised prior to the date on which three years have passed from the Date of Issuance, the total amount exercisable including the previously exercised portion will be 65%) may be exercised from the date on which three years have passed from the Date of Issuance to the date prior to the date on which four years have passed from the Date of Issuance (if a fraction less than one unit arises in the number of exercisable share options, such fraction will be discarded).

v) The entire allotment of share options may be exercised from the date on which four years have passed from the Date of Issuance to the date on which ten years have passed from the Date of Issuance.

5) The Holders of Share Options have duties to pay all taxes (including but not limited to income tax, social security contributions, pensions, and employment insurance premiums, irrespective of whether prescribed within Japan) specified by laws and regulations in relation to stock options and shares. In cases where the Company and its subsidiaries and affiliates are obliged to levy income tax, etc., the relevant company obliged to levy income

tax, etc. will be able to levy tax from Holders of Share Options by the methods listed below.
i) Receipt by cash
ii)Appropriation of shares owned by the Holders of Share Options
iii) Deduction from salaries, bonuses, etc. of the Holders of Share Options
iv) Other methods specified by the Company
(8)Reasons and conditions for the acquisition of Share Options
1) In case that the proposal of any merger agreement under which the Company is dissolved, or any absorption-type company split (kyushu-bunkatsu) agreement or incorporation-type company split (shinsetsu-bunkatsu) plan in which the Company will be a splitting company, or any share exchange agreement or share transfer plan in which the Company will be a wholly owned subsidiary of another company is approved at a General Shareholders' Meeting, the Company may acquire Share Options at the date specifically determined by the Board of Directors of the Company without any compensation therefor.
2) In case that Holders of Share Options cease to accommodate the conditions of (7) 1) above before exercising Share Options, the Company may acquire such Share Options at the date specifically determined by the Board of Directors of the Company without any compensation therefor.
(9)Restriction on the acquisition of share options by transfer
Any acquisition of share options by transfer will require approval via a resolution of the Board of Directors of the Company.
(10)Other details of share options
Other details of share options will be determined by the meeting of the Board of Directors to determine the conditions of the offer of share options.

5 With regard to stock options, the amount recorded as expenses during the fiscal year for share options granted as stock options is provided. The amount includes expenses for the share options granted in fiscal years before the fiscal year under review in accordance with the resolution made at the following general shareholders' meetings or Board of Directors meetings, in addition to those for the share options granted during the fiscal year under review.

- The 21st General Shareholders' Meeting held on March 29, 2018 (Recipients: Directors (excluding Outside Directors))
- The 22nd General Shareholders' Meeting held on March 28, 2019 (Recipients: Directors (excluding Outside Directors))
- The 23rd General Shareholders' Meeting held on March 27, 2020 (Recipients: Directors (excluding Outside Directors))
- Board of Directors meeting held on April 15, 2021 (Recipients: Directors (excluding Outside Directors))
- Board of Directors meeting held on April 14, 2022 (Recipients: Directors (excluding Outside Directors) and Outside Directors)

6 Decisions on specific details of compensation of individual Directors for the fiscal year under review have been delegated to Representative Director, Chairman, President & CEO Mr. Hiroshi Mikitani, and he has decided on the compensation within the limit of compensation resolved at the general shareholders' meeting, in accordance with the compensation policy described in 3) below. The policy and the decision-making process of compensation of the Company's Directors are explained to Independent Outside Directors at the meetings of the Board of Directors and appropriate advice has been obtained. The decision-making

authority was delegated to Mr. Hiroshi Mikitani because he has been familiar with the Company's business since its establishment, and the individual is considered to be in the most appropriate position to see the Company's business performance as a whole from a higher perspective and evaluate the businesses each Director is in charge of.

2) Consolidated Total Amount of Fees, etc., for Directors and Audit & Supervisory Board Members of the Company Submitting Financial Reports

Name and category of officer	Total amount of fees, etc. (Millions of Yen)	Category of company	Total amount of each type of remuneration (Millions of Yen)		
			Basic fees	Bonuses	Share options
Hiroshi Mikitani (Representative Director, Chairman, President & CEO)	106	The filing company	10	—	96
Masayuki Hosaka (Representative Director and Vice Chairman)	202	The filing company	115	49	38
Kentaro Hyakuno (Representative Director & Group Executive Vice President)	255	The filing company	107	49	99

3) Policies Concerning Amounts of Remuneration for Directors and Audit & Supervisory Board Members, and the Adoption of Methods for Calculating Those Amounts

(a) Basic Policies

The compensation for the Company's Directors is determined based on the following basic policies.

For executive Directors, a level of compensation that is globally competitive is set to secure and maintain excellent human resources. The portion of share options is designed to be high to promote sustainable growth of the Company by improving medium- to long-term corporate value and achieving management goals. For non-executive Directors, a level of compensation that is globally competitive is set to secure and maintain excellent human resources who will support management with global expertise.

(b) Compensation Structure

The compensation of executive Directors comprises the followings:

a. Basic compensation (fixed, monthly payment)

b. Performance-linked compensation (performance-linked bonuses as short-term incentive compensation, annual payment)

c. Non-cash based compensation (stock-based compensation stock option as medium- to long-term incentive compensation, annual payment)

Additionally, the ratio of basic compensation, performance-linked compensation and non-cash based compensation is set based on position and role of each executive Director.

The compensation of non-executive Directors and Outside Directors who are independent of business execution comprises the followings:

a. Basic compensation (fixed, monthly payment)

b. Non-cash based compensation (stock-based compensation stock option as fixed, medium- to long-term incentive compensation, annual payment)

Additionally, the ratio of basic compensation, performance-linked compensation and non-cash based compensation is set based on the role of each non-executive Director and Outside Director.

(c) Indicators and Method of Calculation of Performance-linked Compensation and Non-cash based Compensation

To increase awareness of the development and expansion of the "Rakuten Ecosystem", multiple KPIs such as consolidated operating income of each fiscal year have been selected for performance-linked compensation and non-cash based compensation for Executive Directors. They are linked to growth and profitability. In determining the amount of performance-linked compensation and non-cash based compensation, individual evaluations are determined based on the achievement of targets for the indicator set by the managing organization of each executive Director. The amount paid is determined based on individual evaluations and overall company performance.

There are no indicators for non-cash based compensation of non-executive Directors and Outside Directors. The Company has decided that a percentage of the total amount of compensation for each non-executive Director and Outside Director shall be non-cash compensation determined based on the role of each non-executive Director and Outside Director.

(d) Compensation Determination Process

The Company's Board of Directors resolves the compensation policy for Directors after providing explanations to Independent Outside Directors and obtaining their appropriate advice. Other decision-making processes are also explained to the Independent Outside Directors at the Board of Directors as necessary, and appropriate advice is obtained.

The amount of individual compensation for Directors is determined by Hiroshi Mikitani, the Representative Director, Chairman, President & CEO, who is delegated this authority by the Board of Directors within the compensation limit determined at the general shareholders' meeting and in accordance with the compensation policy. He evaluates the business each Director is in charge of while considering the Company's overall performance and obtaining advice from Outside Directors as necessary to determine the amount of individual compensation. Thus, the Board of Directors believes that the content of individual compensation, etc. is in line with the compensation policy.

(5) Status of Securities Held by the Company

1) Criteria and Approach for Classification of Investment Securities

With regard to the classification of investment securities, the Company classifies them as "shares held purely for investment purposes" if the sole purpose is to make profit from changes in the value of the shares or dividends on shares, and classifies them as "shares held for other reasons than pure investment purpose" if the purpose is anything else. In addition, among "shares held for other reasons than pure investment purpose", the Company considers strategically held shares as shares that hinder the improvement of capital efficiency through continued long-term holding without rational reasons based on trading practices. Accordingly, the Company has a policy of not holding such shares in principle.

2) Shares Held for Other Reasons than Pure Investment Purpose

a. Method for verifying the holding policies and rationality of holding, and the details of verification by the Board of Directors regarding the suitability of holding individual shares

With regard to shares held for other reasons than pure investment purposes, the Company comprehensively examines the benefits, capital costs and risks associated with holding them from a medium- to long-term perspective, and holds the shares if it has been determined that it will contribute to the enhancement of the Company's shareholder value. In accordance with this policy, the Investment Committee, which is comprised of members including Outside Directors, deliberates in advance whether or not to proceed with each project, then reports the results of the deliberations to the Board of Directors. In the event that ROI is determined to be maximized by sales, etc. or for shares for which the significance of holding is not necessarily sufficient, the Company will review and replace the portfolio by selling the shares as appropriate.

b. Number of share names and balance sheet amount

	Number of share names	Total balance sheet amount (Millions of Yen)
Unlisted shares	9	148
Shares other than unlisted shares	1	202

(Note) Amounts are stated in accordance with JGAAP.

(Share names for which the number of shares has increased in the current fiscal year)
Not applicable.

(Share names for which the number of shares has decreased in the current fiscal year)

	Number of share names	Total sale price for the decrease in the number of shares (Millions of Yen)
Unlisted shares	2	—
Shares other than unlisted shares	2	277

c. Information on the number of shares, amount recorded in balance sheet, etc. for each share name of special investment securities and deemed held shares

Special Investment Securities

Share name	Current fiscal year Number of shares (shares) Amount recorded in balance sheet (Millions of Yen)	Previous fiscal year Number of shares (shares) Amount recorded in balance sheet (Millions of Yen)	Purpose of holding, quantitative effect of holding and reasons for the increase in the number of shares	Ownership of the Company's shares
KANTSU Co. Ltd	498,000 202	498,000 394	(Purpose of holding) To enhance business relationship	No

(Note) Amounts are stated in accordance with JGAAP.

Deemed Held Shares
Not applicable.

3) Shares Held for Pure Investment Purpose

Classification	Current fiscal year		Previous fiscal year	
	Number of share names	Total balance sheet amount (Millions of Yen)	Number of share names	Total balance sheet amount (Millions of Yen)
Unlisted shares	—	—	—	—
Shares other than unlisted shares	2	45,559	2	154,934

Classification	Current fiscal year		
	Total dividend income (Millions of Yen)	Total amount of gains (losses) on sale (Millions of Yen)	Total valuation gains (losses) (Millions of Yen)
Unlisted shares	—	—	—
Shares other than unlisted shares	—	—	(200,288)

(Note) Amounts are stated in accordance with JGAAP.

4) Investment Securities for which the Purpose of Holding has been Changed from Pure Investment Purposes to Other Reasons during the Current Fiscal Year

Not applicable.

5) Investment Securities for which the Purpose of Holding has been Changed from Other Reasons to Pure Investment Purposes during the Current Fiscal Year

Not applicable.

V. Financial Information

1. Basis of Preparation of Consolidated Financial Statements

(1) The Consolidated Financial Statements of the Company are prepared in accordance with International Financial Reporting Standards (hereinafter referred to as the “IFRS”), as issued by the International Accounting Standards Board, as the Company satisfies the requirements of a “specified company” prescribed in Article 1-2 of the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ordinance of the Ministry of Finance No. 28 of 1976; hereinafter referred to as the “Rules on Consolidated Financial Statements”) as provided in Article 93.

(2) The non-Consolidated Financial Statements of the Company are prepared in accordance with the Ordinance on Terminology, Forms, and Preparation Methods of Financial Statements (Ordinance of the Ministry of Finance No. 59 of 1963; hereinafter referred to as the “Rules on Financial Statements”).

In addition, the Company is treated as a special financial statement-submitting company and prepares non-Consolidated Financial Statements based on the provision of Article 127 of the Rules on Financial Statements.

2. Specific Efforts to Ensure the Appropriateness of the Consolidated Financial Statements

The Company has undertaken specific measures to ensure the appropriateness of its Consolidated Financial Statements, the details of which are as follows.

In order to establish a structure for adequately understanding the accounting standards in detail and appropriately responding to changes in them, the Company has become a member of the Financial Accounting Standards Foundation and has been expanding its understanding of accounting standards as well as responding to new standards.

3. Establishment of a Structure to Enable the Proper Preparation of Consolidated Financial Statements in Accordance with IFRS

The Company continually works towards the establishment of a structure that enables it to properly prepare its Consolidated Financial Statements under IFRS, the details of which are as follows.

In terms of IFRS application, the Company keeps updated on the latest standards by obtaining press releases and statements of standards released by the International Accounting Standards Board, as necessary. Additionally, in order to properly prepare the Consolidated Financial Statements in accordance with IFRS, the Company has prepared Group Accounting Policies in accordance with IFRS, and has conducted its accounting accordingly.

1. Consolidated Financial Statements
(1) Consolidated Financial Statements
1) Consolidated Statement of Financial Position

(Millions of Yen)

	Note	December 31, 2021	December 31, 2022
Assets			
Cash and cash equivalents	5	¥4,410,301	¥4,694,360
Accounts receivable – trade	6, 15	307,821	364,186
Financial assets for securities business	7, 15	3,088,544	3,430,776
Loans for credit card business	8, 15	2,388,448	2,776,044
Investment securities for banking business	9, 15	459,104	916,651
Loans for banking business	10, 15	2,528,795	3,507,559
Investment securities for insurance business	11, 15	290,455	269,867
Derivative assets	12	45,056	181,106
Investment securities	13	281,179	161,071
Other financial assets	14, 15	642,650	1,213,937
Investments in associates and joint ventures	16	68,991	77,541
Property, plant and equipment	17	975,362	1,262,115
Intangible assets	18	858,997	974,372
Deferred tax assets	30	225,100	281,950
Other assets		260,418	325,763
Total assets		16,831,221	20,437,298
Liabilities			
Accounts payable – trade		392,455	450,562
Deposits for banking business	19	6,848,370	8,419,097
Financial liabilities for securities business	20	3,032,996	3,494,467
Derivative liabilities	12	24,825	35,727
Bonds and borrowings	21	1,355,255	1,760,781
Borrowings for securities business	22	207,505	157,542
Bonds and borrowings for credit card business	23	733,852	812,738
Borrowings for banking business	24	1,106,300	2,181,689
Other financial liabilities	26	1,415,368	1,627,300
Income taxes payable		13,499	18,139
Provisions	27	198,263	242,909
Insurance business policy reserves	28	247,911	200,545
Employee retirement benefit liabilities	29	29,752	34,743
Deferred tax liabilities	30	2,488	4,709
Other liabilities		105,092	125,260
Total liabilities		15,713,931	19,566,208
Equity			
Equity attributable to owners of the Company			
Common stock	31	289,674	294,061
Capital surplus	31	311,970	353,786
Other equity instruments	31	317,316	317,316
Retained earnings	31	142,671	(253,961)
Treasury stock	31	(0)	(0)
Other components of equity		32,088	102,528
Total equity attributable to owners of the Company		1,093,719	813,730
Non-controlling interests		23,571	57,360
Total equity		1,117,290	871,090
Total liabilities and equity		16,831,221	20,437,298

2) Consolidated Statement of Income

(Millions of Yen)

	Note	Year ended December 31, 2021	Year ended December 31, 2022
Continuing operations			
Revenue	32, 43	¥1,681,757	¥1,927,878
Operating expenses	33, 43	1,966,419	2,254,118
Other income	34, 43	108,037	8,383
Other expenses	34, 43	18,101	46,035
Operating loss		(194,726)	(363,892)
Financial income	35, 43	18,904	115,432
Financial expenses	35, 43	38,642	156,886
Share of income (losses) of investments in associates and joint ventures	16	1,834	(2,548)
Loss before income tax		(212,630)	(407,894)
Income tax benefit	30	(76,804)	(31,983)
Net loss		(135,826)	(375,911)
Net loss attributable to:			
Owners of the Company		(133,828)	(372,884)
Non-controlling interests		(1,998)	(3,027)
Net loss		(135,826)	(375,911)

(Yen)

Losses per share attributable to owners of the Company:			
Basic	36	¥(87.62)	¥(235.00)
Diluted	36	(87.62)	(235.16)

3) Consolidated Statement of Comprehensive Income

(Millions of Yen)

	Note	Year ended December 31, 2021	Year ended December 31, 2022
Net loss		¥(135,826)	¥(375,911)
Other comprehensive income			
Items that will not be reclassified to net income:			
Gains and losses on equity instruments measured at fair value through other comprehensive income	43	(5,331)	(8,560)
Income tax effect of gains and losses on equity instruments measured at fair value through other comprehensive income	30, 43	1,105	2,556
Remeasurement of insurance business policy reserves based on current market interest rates	28	577	2,970
Income tax effect of remeasurement of insurance business policy reserves based on current market interest rates	28, 30	(193)	(1,076)
Remeasurement of defined benefit plans	29	(1,836)	2,503
Income tax effect of remeasurement of defined benefit plans	29, 30	540	(758)
Other comprehensive income of investments in associates and joint ventures	16	163	82
Total items that will not be reclassified to net income		(4,975)	(2,283)
Items that may be reclassified to net income:			
Foreign currency translation adjustments		66,681	90,709
Reclassification of foreign currency translation adjustments due to disposal of foreign operating businesses		(753)	(3,568)
Gains and losses on debt instruments measured at fair value through other comprehensive income	43	(1,868)	(23,740)
Allowances for doubtful debts on debt instruments measured at fair value through other comprehensive income	43	(7)	15
Losses on debt instruments measured at fair value through other comprehensive income reclassified from other comprehensive income to net income	43	(246)	(6)
Income tax effect of gains or losses on debt instruments measured at fair value through other comprehensive income	30, 43	561	6,760
Gains on cash flow hedges recognized in other comprehensive income	38, 43	6,027	5,039
Income tax effect of gains or losses on cash flow hedges recognized in other comprehensive income	30, 38	(1,841)	(1,652)
Losses on cash flow hedges reclassified from other comprehensive	38, 43	(7,767)	(8,762)

(Millions of Yen)

	Note	Year ended December 31, 2021	Year ended December 31, 2022
income to net income			
Income tax effect of gains or losses on cash flow hedges reclassified from other comprehensive income to net income	30, 38	2,385	2,587
Other comprehensive income of investments in associates and joint ventures	16	4,993	4,836
Losses on other comprehensive income of investments in associates and joint ventures reclassified from other comprehensive income to net income	16	(405)	—
Total items that may be reclassified to net income		67,760	72,218
Total other comprehensive income, net of tax		62,785	69,935
Comprehensive income		(73,041)	(305,976)
Comprehensive income attributable to:			
Owners of the Company		(73,417)	(303,374)
Non-controlling interests		376	(2,602)
Comprehensive income		(73,041)	(305,976)

4) Consolidated Statement of Changes in Equity

(Millions of Yen)

	Note	Common stock	Capital surplus	Other equity instruments	Retained earnings	Treasury stock	Other components of equity	
							Foreign currency translation adjustments	Financial instruments measured at fair value through other comprehensive income
As of January 1, 2021		¥205,924	¥227,844	—	¥290,449	¥(84,941)	¥(22,698)	¥(1,230)
Comprehensive income								
Net loss		—	—	—	(133,828)	—	—	—
Other comprehensive income, net of tax		—	—	—	—	—	68,023	(5,651)
Total comprehensive income		—	—	—	(133,828)	—	68,023	(5,651)
Transactions with owners etc.								
Contributions by and distributions to owners								
Issuance of shares	31	80,000	79,047	—	—	—	—	—
Issuance of other equity instruments	31	—	—	317,316	—	—	—	—
Cash dividends paid	31, 41	—	—	—	(6,131)	—	—	—
Distributions to owners of other equity instruments	31	—	—	—	(4,359)	—	—	—
Reclassified from other components of equity to retained earnings	42	—	—	—	(2,215)	—	—	2,215
Acquisition of treasury stock	31	—	—	—	—	(0)	—	—
Disposal of treasury stock	31	—	(2,412)	—	—	84,759	—	—
Issuance of shares with the exercise of share options	31	3,750	(3,750)	—	—	—	—	—
Disposal of treasury stock with the exercise of share options	31	—	(182)	—	—	182	—	—
Issuance of share acquisition rights	40	—	10,650	—	—	—	—	—
Forfeiture of share acquisition rights	40	—	(159)	—	159	—	—	—
Others		—	810	—	(1,404)	—	—	—
Total contributions by and distributions to owners		83,750	84,004	317,316	(13,950)	84,941	—	2,215

(Millions of Yen)

	Note	Common stock	Capital surplus	Other equity instruments	Retained earnings	Treasury stock	Other components of equity	
							Foreign currency translation adjustments	Financial instruments measured at fair value through other comprehen-sive income
Changes in ownership interests in subsidiaries								
Issuance of shares		—	—	—	—	—	—	—
Changes in ownership interest in subsidiaries		—	—	—	—	—	—	—
Acquisition and disposal of non-controlling interests		—	122	—	—	—	—	—
Others		—	—	—	—	—	—	—
Total changes in ownership interests in subsidiaries		—	122	—	—	—	—	—
Total transactions with owners etc.		83,750	84,126	317,316	(13,950)	84,941	—	2,215
As of December 31, 2021		¥289,674	¥311,970	¥317,316	¥142,671	¥(0)	¥45,325	¥(4,666)

(Millions of Yen)

	Note	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, 2021		¥939	¥(5,626)	¥(1,923)	¥(30,538)	¥608,738	¥20,276	¥629,014
Comprehensive income								
Net loss		—	—	—	—	(133,828)	(1,998)	(135,826)
Other comprehensive income, net of tax		(1,196)	383	(1,148)	60,411	60,411	2,374	62,785
Total comprehensive income		(1,196)	383	(1,148)	60,411	(73,417)	376	(73,041)
Transactions with owners etc.								
Contributions by and distributions to owners								
Issuance of shares	31	—	—	—	—	159,047	—	159,047
Issuance of other equity instruments	31	—	—	—	—	317,316	—	317,316
Cash dividends paid	31, 41	—	—	—	—	(6,131)	—	(6,131)
Distributions to owners of other equity instruments	31	—	—	—	—	(4,359)	—	(4,359)
Reclassified from other components of equity to retained earnings	42	—	—	—	2,215	—	—	—
Acquisition of treasury stock	31	—	—	—	—	(0)	—	(0)
Disposal of treasury stock	31	—	—	—	—	82,347	—	82,347
Issuance of shares with the exercise of share options	31	—	—	—	—	0	—	0
Disposal of treasury stock with the exercise of share options	31	—	—	—	—	—	—	—
Issuance of share acquisition rights	40	—	—	—	—	10,650	—	10,650
Forfeiture of share acquisition rights	40	—	—	—	—	—	—	—
Others		—	—	—	—	(594)	—	(594)
Total contributions by and distributions to owners		—	—	—	2,215	558,276	—	558,276

(Millions of Yen)

	Note	Other components of equity						
		Cash flow hedges	Remeasure-ment of insurance business policy reserves based on current market interest rates	Remeasure-ment of retirement benefit plans	Total other components of equity	Total equity attributable to owners of the Company	Non-controlling interests	Total equity
Changes in ownership interests in subsidiaries								
Issuance of shares		—	—	—	—	—	3,404	3,404
Changes in ownership interest in subsidiaries		—	—	—	—	—	—	—
Acquisition and disposal of non-controlling interests		—	—	—	—	122	(293)	(171)
Others		—	—	—	—	—	(192)	(192)
Total changes in ownership interests in subsidiaries		—	—	—	—	122	2,919	3,041
Total transactions with owners etc.		—	—	—	2,215	558,398	2,919	561,317
As of December 31, 2021		¥(257)	¥(5,243)	¥(3,071)	¥32,088	¥1,093,719	¥23,571	¥1,117,290

(Millions of Yen)

	Note	Common stock	Capital surplus	Other equity instruments	Retained earnings	Treasury stock	Other components of equity: Foreign currency translation adjustments	Other components of equity: Financial instruments measured at fair value through other comprehensive income
As of January 1, 2022		¥289,674	¥311,970	¥317,316	¥142,671	¥(0)	¥45,325	¥(4,666)
Comprehensive income								
Net loss		—	—	—	(372,884)	—	—	—
Other comprehensive income, net of tax		—	—	—	—	—	91,413	(22,838)
Total comprehensive income		—	—	—	(372,884)	—	91,413	(22,838)
Transactions with owners etc.								
Contributions by and distributions to owners								
Issuance of shares		—	—	—	—	—	—	—
Issuance of other equity instruments		—	—	—	—	—	—	—
Cash dividends paid	31, 41	—	—	—	(7,118)	—	—	—
Distributions to owners of other equity instruments	31	—	—	—	(15,127)	—	—	—
Reclassified from other components of equity to retained earnings	42	—	—	—	(1,148)	—	—	1,148
Acquisition of treasury stock	31	—	—	—	—	(0)	—	—
Disposal of treasury stock		—	—	—	—	—	—	—
Issuance of shares with the exercise of share options	31	4,387	(4,387)	—	—	—	—	—
Disposal of treasury stock with the exercise of share options		—	—	—	—	—	—	—
Issuance of share acquisition rights	40	—	13,359	—	—	—	—	—
Forfeiture of share acquisition rights	40	—	(186)	—	186	—	—	—
Others		—	—	—	(239)	—	—	—
Total contributions by and distributions to owners		4,387	8,786	—	(23,446)	(0)	—	1,148
Changes in ownership interests in subsidiaries								
Issuance of shares		—	—	—	—	—	—	—

(Millions of Yen)

	Note	Common stock	Capital surplus	Other equity instruments	Retained earnings	Treasury stock	Other components of equity	
							Foreign currency translation adjustments	Financial instruments measured at fair value through other comprehensive income
Changes in ownership interest in subsidiaries	51	—	33,634	—	—	—	—	—
Acquisition and disposal of non-controlling interests		—	(604)	—	—	—	—	—
Others		—	(0)	—	(302)	—	(218)	—
Total changes in ownership interests in subsidiaries		—	33,030	—	(302)	—	(218)	—
Total transactions with owners etc.		4,387	41,816	—	(23,748)	(0)	(218)	1,148
As of December 31, 2022		¥294,061	¥353,786	¥317,316	¥(253,961)	¥(0)	¥136,520	¥(26,356)

(Millions of Yen)

	Note	Other components of equity				Total equity attributable to owners of the Company	Non-controlling interests	Total 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			
As of January 1, 2022		¥(257)	¥(5,243)	¥(3,071)	¥32,088	¥1,093,719	¥23,571	¥1,117,290
Comprehensive income								
Net loss		—	—	—	—	(372,884)	(3,027)	(375,911)
Other comprehensive income, net of tax		(2,787)	1,894	1,828	69,510	69,510	425	69,935
Total comprehensive income		(2,787)	1,894	1,828	69,510	(303,374)	(2,602)	(305,976)
Transactions with owners etc.								
Contributions by and distributions to owners								
Issuance of shares		—	—	—	—	—	—	—
Issuance of other equity instruments		—	—	—	—	—	—	—
Cash dividends paid	31, 41	—	—	—	—	(7,118)	—	(7,118)
Distributions to owners of other equity instruments	31	—	—	—	—	(15,127)	—	(15,127)
Reclassified from other components of equity to retained earnings	42	—	—	—	1,148	—	—	—
Acquisition of treasury stock	31	—	—	—	—	(0)	—	(0)
Disposal of treasury stock		—	—	—	—	—	—	—
Issuance of shares with the exercise of share options	31	—	—	—	—	0	—	0
Disposal of treasury stock with the exercise of share options		—	—	—	—	—	—	—
Issuance of share acquisition rights	40	—	—	—	—	13,359	—	13,359
Forfeiture of share acquisition rights	40	—	—	—	—	—	—	—
Others		—	—	—	—	(239)	—	(239)

(Millions of Yen)

	Note	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
Total contributions by and distributions to owners		―	―	―	1,148	(9,125)	―	(9,125)
Changes in ownership interests in subsidiaries								
Issuance of shares		―	―	―	―	―	3,361	3,361
Changes in ownership interest in subsidiaries	51	―	―	―	―	33,634	31,813	65,447
Acquisition and disposal of non-controlling interests		―	―	―	―	(604)	1,394	790
Others		―	―	―	(218)	(520)	(177)	(697)
Total changes in ownership interests in subsidiaries		―	―	―	(218)	32,510	36,391	68,901
Total transactions with owners etc.		―	―	―	930	23,385	36,391	59,776
As of December 31, 2022		¥(3,044)	¥(3,349)	¥(1,243)	¥102,528	¥813,730	¥57,360	¥871,090

5) Consolidated Statement of Cash Flows

(Millions of Yen)

	Note	Year ended December 31, 2021	Year ended December 31, 2022
Cash flows from operating activities			
Loss before income tax		¥(212,630)	¥(407,894)
Depreciation and amortization	33	197,353	266,118
Impairment loss	17, 18	4,239	10,948
Other loss (income)	34, 35	(73,183)	160,314
Decrease (Increase) in operating receivables		(47,558)	(32,249)
Decrease (Increase) in loans for credit card business		(354,240)	(387,316)
Increase (Decrease) in deposits for banking business		2,130,634	1,571,129
Net decrease (increase) in call loans for banking business		(5,122)	(6,805)
Decrease (Increase) in loans for banking business		(1,092,238)	(978,855)
Decrease (Increase) in receivables under securities borrowing transactions		(147,777)	(390,380)
Increase (Decrease) in operating payables		45,045	50,763
Decrease (Increase) in financial assets for securities business		(414,794)	(342,142)
Increase (Decrease) in financial liabilities for securities business		445,190	460,857
Increase and decrease in derivative assets and liabilities		(80,114)	(118,191)
Others		188,962	(89,771)
Income tax paid		(1,060)	(24,473)
Net cash flows from operating activities		582,707	(257,947)
Cash flows from investing activities			
Payments in time deposits		(9,856)	(12,093)
Proceeds from time deposits		9,180	10,421
Purchases of property, plant and equipment		(286,859)	(298,666)
Purchases of intangible assets		(123,782)	(140,747)
Acquisitions of subsidiaries	50	(42,974)	(25,221)
Acquisitions of investments in associates and joint ventures		(23,029)	(5,784)
Purchases of investment securities for banking business		(736,644)	(1,393,732)
Proceeds from sales and redemption of investment securities for banking business		544,075	915,955
Purchases of investment securities for insurance business		(65,781)	(43,271)
Proceeds from sales and redemption of investment securities for insurance business		77,166	53,154
Purchases of investment securities		(15,726)	(10,800)
Proceeds from sales and redemption of investment securities		61,042	11,861
Proceeds from sales and redemption of other financial assets		2,942	—
Other payments		(16,506)	(22,846)

(Millions of Yen)

	Note	Year ended December 31, 2021	Year ended December 31, 2022
Other proceeds		14,922	9,361
Net cash flows from investing activities		(611,830)	(952,408)
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings	21	(12)	122,392
Net increase (decrease) in commercial papers	21	(6,000)	60,000
Proceeds from long-term borrowings	21	151,967	141,269
Repayments of long-term borrowings	21	(69,475)	(104,411)
Proceeds from issuance of bonds	21	295,598	215,023
Redemptions of bonds	21	(88,766)	(40,000)
Net increase (decrease) in short-term borrowings for securities business	22	(33,000)	(50,000)
Proceeds from long-term borrowings for securities business	22	18,488	—
Net increase (decrease) in short-term borrowings for credit card business	23	5,019	3,312
Net increase (decrease) in commercial papers for credit card business	23	—	29,900
Proceeds from long-term borrowings for credit card business	23	176,087	183,777
Repayments of long-term borrowings for credit card business	23	(137,926)	(168,186)
Proceeds from issuance of bonds for credit card business	23	59,723	49,718
Redemptions of bonds for credit card business	23	—	(20,000)
Net increase (decrease) in short-term borrowings for banking business	24	144,500	(480,110)
Proceeds from long-term borrowings for banking business	24	382,600	1,823,800
Repayments of long-term borrowings for banking business	24	—	(268,200)
Proceeds from issuance of shares	31	159,047	0
Proceeds from issuance of other equity instruments	31	315,708	—
Distributions to owners of other equity instruments	31	(4,129)	(14,251)
Proceeds from disposal of treasury stock	31	82,347	—
Proceeds from sale of shares of subsidiaries not resulting in change in scope of consolidation	51	—	80,000
Repayments of lease liabilities	25, 46	(44,787)	(57,774)
Cash dividends paid	41	(6,131)	(7,118)
Others		1,407	(12,457)
Net cash flows from financing activities		1,402,265	1,486,684
Effect of change in exchange rates on cash and cash equivalents		15,853	7,730
Net increase (decrease) in cash and cash equivalents		1,388,995	284,059
Cash and cash equivalents at the beginning of the year	5	3,021,306	4,410,301
Cash and cash equivalents at the end of the year	5	4,410,301	4,694,360

[Notes to the Consolidated Financial Statements]

1. General Information

(1) Reporting Entity

Rakuten Group, Inc. (hereinafter referred to as the “Company”) is a company resident in Japan. As a global innovation company engaged in the three main activities of Internet Services, FinTech and Mobile, the Company and its subsidiaries (hereinafter referred to as the “Group Companies”) are organized into three reportable segments: “Internet Services”, “FinTech”, and “Mobile.”

Each of these segments is also an operating segment and has available financial information, which is separate from the Group Companies’ business units and is individually subject to review by the Board of Directors on a regular basis, for purposes of making decisions about allocation of management resources and evaluating business results.

The “Internet Services” segment comprises businesses providing various e-commerce sites including an internet shopping mall Rakuten Ichiba, online cashback sites, travel booking sites and portal sites, operation of digital content sites in North America, and provision of messaging services, along with advertising businesses on abovementioned sites, and management businesses of professional sports teams.

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

The “Mobile” segment is comprised of businesses providing communication services and technologies, and operating digital content sites in regions other than North America.

(2) Basis of Presentation

The Group Companies’ Consolidated Financial Statements are prepared in accordance with the IFRS issued by the International Accounting Standards Board. As it meets the requirements set out under Article 1-2 of the Rules on Terminology, Forms and Compilation Methods of Consolidated Financial Statements, under which the Company qualifies for treatment as a “Specified Company under the Designated International Accounting Standards”, the provision of Article 93 of the said rules is applied.

These Consolidated Financial Statements were approved by the Meeting of the Board of Directors on March 30, 2023.

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

Rakuten Symphony, Inc. has been included in the scope of consolidation due to its establishment during the first quarter ended March 31, 2022 through an incorporation-type company split.

Also, Robin Systems, Inc. has been included in the scope of consolidation due to the additional acquisition of its shares during the second quarter ended June 30, 2022.

Furthermore, Rakuten Securities Holdings, Inc. has been included in the scope of consolidation due to its establishment during the fourth quarter ended December 31, 2022 through a share transfer.

(4) Functional Currency and Presentation Currency

Items included in the financial statements of each subsidiary and associate are measured using the currency of the primary jurisdiction in which they conduct their business operations ("functional currencies"). The Consolidated Financial Statements are presented in Japanese yen, the functional currency of the Company and the presentation currency of the Group. The amounts in the Consolidated Financial Statements are presented in millions of yen rounded to the nearest million.

(5) Basis of Measurement

The Consolidated Financial Statements have been prepared on an historical cost basis, except for those financial instruments, etc. that have been based on fair value.

(6) Use of Estimates and Judgments

The preparation of the Consolidated Financial Statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management of the Group Companies to exercise judgment in the process of applying the accounting policies of the Group Companies. The areas involving a higher degree of judgment or complexity, areas where assumptions and estimates are significant to the Consolidated Financial Statements, or information in respect of uncertainties of assumptions and estimates which have a significant risk of causing material adjustment in the next year are disclosed in "Note 3. Significant Accounting Estimates and Judgments" and other notes.

(7) Early Adoption of Standards and Interpretations

Not applicable.

(8) New Standards and Interpretations Not Yet Applied

As of December 31, 2022, the Group Companies have not applied the following standards, interpretations and amendments to standards or interpretations issued before the approval date of the Consolidated Financial Statements but which are not yet effective.

IFRS		Mandatory adoption (effective date)	Adoption by the Group Companies (reporting period ended)	Description
IFRS 17	Insurance contracts	January 1, 2023	January 1, 2023	Revision of accounting of insurance contracts
IAS 1	Presentation of Financial Statements	January 1, 2024	January 1, 2024	Clarifies the method in which an entity classifies debt and other financial liabilities as current or non-current
IAS 1	Presentation of Financial Statements	January 1, 2024	January 1, 2024	Improves information that an entity discloses regarding non-current liabilities with special covenants

IFRS 17 "Insurance contracts" (hereinafter "IFRS 17") is a comprehensive accounting standard for insurance and reinsurance contracts. IFRS 17 introduces a model to measure a group of contracts as the sum of the present value of future cash flows expected to be generated by the Group Companies in fulfilling their insurance contracts, an explicit risk adjustment for non-financial risks, and the contractual service margin (CSM).

Under IFRS 17, insurance revenue in each reporting period represents the change in the liability for remaining coverage related to services rendered in the period and the allocation of premiums related to the recovery of insurance acquisition cash flows. The investment component is not included in insurance revenue or insurance service expenses.

The new accounting standard is mandatory adopted as of January 1, 2023, and relevant figures will be restated as of January 1, 2022, the transition date.

(Impact of the Application of the Accounting Standard, etc.)

The impact of the application of the above standards on the Group Companies' consolidated financial statements is currently being calculated.

2. Significant Accounting Policies

The Group Companies consistently apply the accounting policies to the periods presented in the Consolidated Financial Statements.

(1) Basis of Consolidation

1) Subsidiaries

A subsidiary is an entity (including structured entities) that is controlled by the Group Companies. The Group Companies control an entity when they are exposed, or have rights, to variable returns from involvement with the entity and have the ability to affect those returns through power over that entity. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group Companies control another entity or not. Between the date of obtaining control and the date of losing control, the Consolidated Financial Statements of the Group Companies include the financial statements of each controlled subsidiary.

Changes in the ownership interest in a subsidiary are accounted for as equity transactions if the Group Companies retain control over that subsidiary. Any difference between the adjustment to the non-controlling interests and fair value of the consideration transferred or received is recognized directly in equity attributable to owners of the Company.

Intercompany balances and transactions are eliminated in consolidation. Unrealized gains or losses included in assets resulting from transactions within the Group Companies are also eliminated. The financial statements of each subsidiary are adjusted, if necessary, to comply with the accounting policies of the Group Companies.

2) Associates and Joint Arrangements

Associates are entities over which the Group Companies have significant influence but do not have control over the financial and operating policies of such entities. Significant influence is presumed to exist when the Group Companies hold 20% to 50% of the voting power of another entity. The factors considered in determining whether or not the Group Companies have significant influence include representation on the board of directors. The existence of these factors can lead to the determination that the Group Companies have significant influence, even though the investment of the Group Companies is less than 20% of the voting power.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the activities that have significant influence on variable returns from the arrangements require the unanimous consent of the parties sharing control. Investments in a joint arrangement are classified as a joint operation or a joint venture depending upon the rights and obligations of the parties to the arrangement. A joint operation is a joint arrangement whereby parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Investments in associates and joint ventures are accounted for using the equity method, except for such cases as where they are classified as assets held for sale, etc. in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" and accordingly accounted for in accordance with IFRS 5. The Group Companies' share of the operating results of associates and joint ventures is adjusted to conform with the accounting policies of the Group Companies, and is reported in the Consolidated Statement of Income as "Share of income (losses) of investments in associates and joint ventures". The Group Companies' share of investees' gains or losses resulting from intercompany transactions is eliminated on consolidation. Under the equity method of accounting, the investment of the Group Companies in associates and joint ventures are initially recorded at cost, and subsequently increased (or decreased) to reflect both the Group Companies' share of the post-acquisition net income or loss and other movements included directly in equity of the associates and joint ventures.

Goodwill arising on the acquisition of associates or joint ventures is included in the carrying value of the investment, and the Group Companies carry out any impairment testing on the entire interest in an associate. The Group Companies assess whether there is any objective evidence that the investments in associates and joint ventures are impaired at each reporting date. If there is any objective evidence of impairment, an impairment test is performed by comparing the investment's recoverable amount, which is the higher of its value in use or fair value less costs of disposal, to its carrying amount. An impairment loss recognized in prior periods is only reversed if there has been a change in the estimates used to determine the investment's recoverable amount since the last impairment loss was recognized. The impairment loss is reversed to the extent that the carrying amount of the investment equals the recoverable amount.

For investments in joint operations, the Group Companies recognize their share of the revenues, expenses, assets and liabilities of each joint operation.

Investments in some associates have been measured at fair value through profit or loss in accordance with the provisions applied to associates and joint ventures of IAS 28 "Investments in Associates and Joint Ventures".

(2) Business Combinations

The Group Companies use the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is fair value of the assets transferred, the liabilities incurred by the Group Companies to the former owners of the acquiree and the equity interests issued by the Group Companies. The consideration transferred includes fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs incurred by the Group Companies, such as agent commissions, legal fees, due diligence costs, other professional fees and other consulting costs, are recognized as expenses in the period in which they are incurred. Further, the Group Companies recognize any non-controlling interest in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

The acquisition date is the date when control is transferred to the acquirer. Judgments may be required in determining the acquisition date and whether control is transferred from one party to another. In accordance with the recognition principles of IFRS 3 “Business Combinations”, the identifiable assets, liabilities and contingent liabilities of the acquiree are based on their fair values at the acquisition date except for the following.

- Deferred tax assets or liabilities and liabilities (or assets) related to employee benefit arrangements are recognized and measured in accordance with IAS 12 “Income taxes” and IAS 19 “Employee benefits”, respectively; and liabilities related to share-based payments are recognized and measured in accordance with IFRS 2 “Share-based Payment”, and
- Non-current assets and operations classified as held for sale are measured in accordance with IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”.

Goodwill is initially measured as the excess of the aggregate of the fair value of consideration transferred, the fair value of non-controlling interest, and the fair value of any pre-existing interest in the acquiree at the acquisition date over fair value of the net identifiable assets acquired and liabilities assumed, measured, in principle, at fair value. If the aggregate of the consideration transferred, fair value of non-controlling interest in the acquiree, and fair value of pre-existing interest in the acquiree at the acquisition date is lower than the aggregate fair values of the net assets of the subsidiary acquired, the difference is recognized in the Consolidated Statement of Income as a gain from bargain purchase.

If the initial accounting for business combinations is incomplete by the end of the reporting period in which the business combinations occur, the Group Companies report provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are retrospectively adjusted during the measurement period to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized as of that date. Additional assets or liabilities are recognized if new information, if known, would have resulted in the additional recognition of assets or liabilities. The measurement period does not exceed one year.

Goodwill relating to acquisitions prior to the date of transition to IFRS is reported in accordance with accounting principles generally accepted in Japan (JGAAP), the accounting framework under which the Group prepared its consolidated financial statements prior to its adoption of IFRS.

(3) Foreign Currencies

1) Foreign Currency Transactions

Foreign currency transactions are translated into the functional currencies of individual foreign subsidiaries using the spot exchange rate at the date of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currencies using the spot exchange rate at the end of each reporting period. Non-monetary assets and liabilities based on fair value that are denominated in foreign currencies are retranslated using the spot exchange rates at the date when fair value was determined.

Exchange differences arising from settlement and translation of foreign currency denominated monetary assets and liabilities at the period end closing rate are recognized in the Consolidated Statement of Income. However, when profits or losses related to non-monetary items are recognized in comprehensive income, any exchange differences are also recognized in other comprehensive income.

2) Foreign Operations

Assets and liabilities of foreign operations (including goodwill and fair value adjustments arising on the acquisition of foreign operations) are translated into Japanese yen using the spot exchange rate at the reporting date. Income and expenses are translated into Japanese yen at the average exchange rates for the period.

Exchange differences arising from translation of financial statements of foreign operations are recognized in other comprehensive income.

These differences are presented as "Foreign currency translation adjustments" in other components of equity. On disposal of the entire interest in a foreign operation, and on the partial disposal of an interest which results in the loss of control, significant influence or joint control, the cumulative amount of the exchange differences is reclassified to income as part of gains or losses on disposal.

(4) Cash and Cash Equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less and insignificant risk of changes in value. However, short-term highly liquid investments in the banking business are excluded.

(5) Financial Instruments

1) Non-derivative Financial Assets

The Group Companies recognize trade and other receivables at the time they arise. All other financial assets are recognized at the contract dates when the Group Companies become a party to the contractual provisions of the instrument.

The following is a summary of the classification and measurement model of non-derivative financial assets.

Financial Assets Measured at Amortized Cost

Financial assets that meet the following conditions are classified as financial assets that are subsequently measured at amortized cost:

- The asset is held within the Group Companies' business model with the objective of holding assets in order to collect contractual cash flows; and
- The contractual terms of the instrument give rise on a specified date to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortized cost are initially based on fair value plus directly attributable transaction costs. After initial recognition, the carrying amount of the financial assets measured at amortized cost is subsequently measured based on the effective interest method.

Debt instruments Measured at Fair Value Through Other Comprehensive Income ("FVTOCI")

Financial assets that meet both of the following conditions are classified as debt instruments that are subsequently measured at FVTOCI.

- The financial instruments are held for the purpose of both the collection of contractual cash flows and eventual sale of cash flows, under the business model of the Rakuten Group.
- The contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments measured at FVTOCI are initially based on fair value plus directly attributable transaction costs. After initial recognition, subsequent changes are recognized as other comprehensive income. At the time of derecognition, the accumulated amount recognized as other comprehensive income is reclassified to net income.

Financial Instruments Measured at Fair Value Through Profit or Loss ("FVTPL")

Financial assets other than equity instruments that do not meet the conditions for measurement at amortized cost and designation as FVTOCI are based on fair value with gains or losses on remeasurement recognized in the Consolidated Statement of Income. Those financial assets include financial assets held for trading.

Equity investments are measured at fair value with gains or losses on remeasurement recognized in the Consolidated Statement of Income unless the Group Companies make an irrevocable election to designate the equity investments as at FVTOCI on initial recognition.

Financial assets measured at FVTPL are initially measured at fair value and transaction costs are recognized in the Consolidated Statement of Income when they are incurred.

Equity Instruments Measured at FVTOCI

On initial recognition, the Group Companies may make an irrevocable election to designate investments in equity instruments as at FVTOCI. The election is made only for equity investments other than those held for trading.

Equity instruments measured at FVTOCI are initially measured/recognized at their fair value (including directly attributable transaction costs). Subsequently, they are measured at fair value at each reporting date, and gains and losses arising from changes in fair value are recognized in other comprehensive income and presented as "Gains (losses) on equity instruments at fair value through other comprehensive income" in other components of equity.

However, dividends on equity instruments measured at FVTOCI are recognized in the Consolidated Statement of Income as "Revenue" or "Financial income".

Impairment of Financial Assets Measured at Amortized Cost and Debt Instruments Measured at FVTOCI

With respect to financial assets measured at amortized cost, and debt instruments based on fair value through other comprehensive income, the Rakuten Group calculates the amount of allowance for doubtful accounts based on the estimated credit loss arising from possible defaults during the 12 months following the end of the fiscal year, in cases where the credit risk associated with the financial instruments has not significantly increased in the period between initial recognition and the fiscal year-end. In such cases specifically, the amount of allowance for doubtful accounts associated with financial instruments is collectively calculated by forecasting the estimated credit loss for the next 12 months, based on available rational data for predictive analysis, such as the historical loan loss ratio and published default rate. On the other hand, if the credit risk associated with the financial instruments has significantly increased in the period between initial recognition and the fiscal year-end, allowance for doubtful accounts is calculated based on the estimated credit loss arising from all possible defaults over the estimated remaining life of the financial instruments (estimated credit loss over the entire period). In such cases specifically, the amount of allowance for doubtful accounts associated with financial instruments is individually calculated by forecasting the estimated credit loss associated with the collection of said financial instruments for the entire period, based on available rational data for predictive analysis, such as historical loan losses, future collectible amounts and published default rates.

Notwithstanding the above, with respect to operating receivables and contractual assets that do not contain critical financial elements, such as accounts receivable – trade (hereinafter "operating receivables, etc."), the amount of allowance for doubtful accounts is invariably calculated based on the estimated credit loss over the entire period. As a general rule, estimated credit loss is collectively measured after considering the available rational data for predictive analysis, such as historical loan loss ratios, that are based on operating receivables, etc. grouped by client attribute types. For financial assets with overdue periods above a certain threshold, those considered to pose significant concern for recoverability due to factors such as serious financial distress at the obligor shall be deemed to be credit-impaired.

The Group Companies directly write off credit-impaired financial assets when there are no reasonable expectations of recovering future contractual cash flows on the financial asset.

Even after a financial asset is written off, the Group Companies continue to conduct recovery activities toward fulfillment of the contract and if the financial asset is recovered, the amount recovered is recognized in net income.

Derecognition of Financial Assets

The Group Companies derecognize a financial asset when the contractual rights to the cash flows from the asset expire, or when the Group Companies transfer the contractual right to receive cash flows from financial assets in transactions in which substantially all the risks and rewards of ownership of the asset are transferred to another entity. Any rights to transferred financial assets qualifying for derecognition created or retained by the Group Companies are accounted for separately.

2) Non-derivative Financial Liabilities

Debt securities issued by the Group Companies are initially recognized on the issue date. All other financial liabilities are recognized when the Group Companies become a party to the contractual provisions of the instruments.

The Group Companies derecognize financial liabilities when they are extinguished, i.e., when the obligation specified in the contract is discharged, cancelled or expired.

The Group Companies classify financial liabilities as accounts payable — trade, deposits for banking business, financial liabilities for securities business, bonds and borrowings and other financial liabilities as non-derivative financial liabilities, initially measure them at fair value, and subsequently measure them at amortized cost using the effective interest method.

To reduce differences substantially caused by measurement of assets or liabilities or recognition of income on different bases, some deposits for banking business are designated as financial liabilities at FVTPL. Any changes in fair value of these financial liabilities that are attributable to a change in own credit risk of the liabilities are included in other components of equity.

3) Derivatives

<u>Derivatives Qualifying for Hedge Accounting</u>

The Group Companies enter into derivative transactions to manage the risk of fair value fluctuations, interest rate risk and foreign currency risk. The primary derivatives used by the Group Companies are interest rate swaps, forward contracts, options, foreign exchange forward contracts, and currency swaps.

At the initial designation of the hedging relationship, the Group Companies document the hedging instrument and the hedged item and the relationship between them, along with the risk management objective and strategy for undertaking the hedge, the nature of the risk being hedged, the evaluation of the effectiveness of the hedging instrument in offsetting the hedged risk, and the measurement of ineffectiveness.

At the inception of the hedge and on an ongoing basis, the Group Companies assess whether the Group Companies can forecast if the hedging instrument is highly effective in offsetting changes in the fair value or cash flows of the hedged item attributable to the hedged risk throughout the period for which the hedge is designated.

Derivatives are initially recognized at fair value with transaction costs recognized in the Consolidated Statements of Income as incurred. Subsequently derivatives are based on fair value, and gains and losses arising from changes in fair value are accounted for as follows:

- Fair Value Hedges

The changes in fair value of the hedging instrument resulting from subsequent measurements are recognized in the Consolidated Statement of Income. The gains or losses on the hedged items attributable to the hedged risks are recognized in the Consolidated Statement of Income, and the carrying amounts of the hedged items are adjusted. However, when the hedged item is an equity instrument whose change in fair value is recognized in other comprehensive income, the changes in fair value of the hedging instrument resulting from subsequent measurements are also recognized in other comprehensive income. Hedge accounting is discontinued prospectively when fair value hedge no longer qualifies for hedge accounting, or when the hedging instrument expires, or is sold, terminated, or exercised.

- Cash Flow Hedges

When derivatives are designated as hedging instruments to hedge the exposure to variability in cash flows that are attributable to a particular risk associated with recognized assets or liabilities and might affect net income, the portion of the gain and loss on the derivative that is determined to be an effective hedge is presented as “Gains (losses) on cash flow hedges recognized in other comprehensive income” in Other Components of Equity. The balances of cash flow hedges are reclassified to income from other comprehensive income in the periods when the cash flows of hedged items affect income, in the same line items of the Consolidated Statement of Comprehensive Income as those of hedged items. The gain or loss relating to the ineffective portion is recognized immediately in the Consolidated Statement of Income. In cases where hedged items result in the recognition of non-financial assets or liabilities, the amounts recognized as other comprehensive income are accounted for as adjustments to the original carrying amount of non-financial assets or liabilities.

Hedge accounting is discontinued prospectively when the cash flow hedge no longer qualifies for hedge accounting, or when the hedging instrument expires, or is sold, terminated or exercised, and the amount recognized as Other Comprehensive Income is reclassified to income from other components of equity.

Derivatives Not Qualifying for Hedge Accounting

The Group Companies hold some derivatives for hedging purposes that do not qualify for hedge accounting. Derivatives may also be held for trading as opposed to hedging purposes. Any changes in fair value of these derivatives are recognized immediately in the Consolidated Statement of Income.

Embedded Derivatives

There are some hybrid contracts, which contain both a derivative and a non-derivative component, within the financial instruments and other contracts. In such cases, the derivative component is termed an embedded derivative, with the non-derivative component representing the host contract. Where the host contract is a financial liability, if the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract and a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the hybrid contract itself is not classified as FVTPL as a financial liability, but the embedded derivative is separated from the host contract and accounted for as a derivative. The financial liability component of the host contract is then accounted for in accordance with the Group Companies' accounting policy for non-derivative financial liabilities.

4) Presentation of Financial Instruments

Financial assets and liabilities are offset, and that net amount is presented in the Consolidated Statement of Financial Position, only when the Group Companies hold a currently enforceable legal right to set off the recognized amounts, and the Group Companies have the intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

5) Financial Guarantee Contracts

Financial guarantee contracts are contracts that require the guarantor to make specified payments to reimburse the guarantee for losses incurred due to a debtor failing to make payments when due in accordance with the original or modified terms of a debt instrument.

Such financial guarantee contracts are measured initially at fair value on the date of the contract. Subsequent to initial recognition, the Group Companies measure financial guarantees, other than those based on fair value, at the higher of the amount of any loss allowance and the amount initially recognized less the cumulative amount of income.

(6) Property, Plant and Equipment

All property, plant and equipment are recorded at cost less any accumulated depreciation and accumulated impairment losses.

Cost includes costs directly attributable to the acquisition of and dismantling and removal of the asset, as well as any estimated costs of restoring the site on which they are located. When the asset requires a certain length of time to be ready for its intended use or sales, borrowing cost directly attributed to the acquisition, construction and manufacturing of such asset is capitalized and included in the cost of the asset. Property, plant and equipment are subsequently carried on the historical cost basis measured using the cost model.

Depreciation is calculated based on the depreciable amount. The depreciable amount is the cost of an asset less its residual value.

Depreciation of property, plant and equipment is mainly computed using the straight-line method based on the estimated useful life of each component. Right-of-use assets are depreciated over the shorter of the lease term and their useful lives if there is no reasonable certainty that the Group Companies will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives of significant assets for the previous fiscal year and the current fiscal year are as follows:

- Buildings and accompanying facilities 2–50 years
- Tools, furniture and fixtures 2–20 years
- Machinery facilities 4-42 years

The depreciation methods, useful lives and residual values are reviewed at the end of each reporting period, and revised if necessary.

(7) Intangible Assets

1) Goodwill

Initial Recognition

Goodwill arising on the acquisition of a subsidiary is recognized as an intangible asset. Please refer to (2) Business Combinations for the measurement of goodwill on initial recognition.

Subsequent Measurement

Goodwill is based on cost less accumulated impairment losses.

2) Capitalized Software Costs

The Group Companies incur certain costs to purchase or develop software primarily for internal-use.

Expenditures arising from research activities to obtain new scientific or technical knowledge are recognized as expenses when they are occurred. Expenditures arising from development activities are capitalized as software, if, and only if, they are reliably measurable, they are technically feasible, it is highly probable that they will generate future economic benefits, and the Group Companies intend and have adequate resources to complete their development and to use or sell such assets.

Capitalized software is based on cost less accumulated amortization and any accumulated impairment losses.

3) Intangible Assets Acquired in Business Combinations

Intangible assets that are acquired in business combinations, such as trademarks and other similar items, are recognized separately from goodwill, and are initially recognized at fair value at the acquisition date.

Subsequently such intangible assets are based on cost less any accumulated amortization and accumulated impairment losses.

4) Other Intangible Assets

Other intangible assets with definite useful lives are based on cost less any accumulated amortization and accumulated impairment losses.

5) Amortization

Amortization is calculated based on the acquisition cost of an asset less its residual value. Within intangible assets that useful lives can be determined, the value of the insurance business, contracts and its customer relationships acquired through business combinations are amortized over the expected service period, based on the proportion of insurance revenue occurred. Other intangible assets are amortized using the straight-line method. These methods are used because they are considered to most closely represent the pattern in which the future economic benefits of intangible assets are expected to be consumed by the Group Companies.

Estimated useful lives of significant intangible assets with definite useful lives are as follows:

- Software mainly 5 years
- Value of the insurance business and its acquired customer relationships 30 years

The amortization methods, useful lives and residual values are reviewed at the end of each reporting period, and revised if necessary.

(8) Lease Transactions (as Lessee)

At the commencement date, the Group Companies measure lease liabilities at the present value of the lease payments that are not paid at that date. Right-of-use assets are measured initially as the total amount of the lease liabilities measured initially, initial direct costs, lease prepayments, etc. as well as the costs of carrying out obligations to restore the leased assets to its original condition as required under lease agreements.

The discount rate used in measuring the present value of the lease payments that are not paid at that date is the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group Companies use their incremental borrowing rate.

Lease payments are allocated into interest cost and the portion of the balance of the lease liabilities to be repaid, to ensure that the interest rate remains consistent in relation to the balance of the lease liabilities. Financial costs shall be presented separately from the depreciation of the right-of-use assets in the Consolidated Statement of Income.

Whether an agreement constitutes a lease agreement, or elements of a lease are determined by the substance of the agreement, regardless of whether it is legally presented in the form of a lease or not.

(9) Real estate for investment

The Group Companies measure real estate for investment under other assets using the cost model, and they are stated at cost less any accumulated depreciation and accumulated impairment losses. Real estate for investment are mainly depreciated using the straight-line method based on the estimated useful lives ranging from 3 to 39 years.

(10) Impairment of Non-financial Assets

The Group Companies assess at each reporting date whether there is an indication that a non-financial asset, except for inventories and deferred tax assets, may be impaired. If any such an indication exists, the Group Companies estimate the recoverable amount of the asset. For goodwill, intangible assets with indefinite useful lives, and intangible assets not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit, or group of cash-generating units (CGU) is the higher of its value in use and fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. A CGU is the smallest identifiable group of assets, which generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or group of assets.

In principle, each entity is considered to be a CGU. Goodwill is allocated to a CGU or a group of CGUs based on the unit by which the goodwill is monitored for internal management purposes.

Since corporate assets do not generate independent cash flows, if there is an indication that corporate assets may be impaired, the recoverable amount is determined for the CGU or group of CGUs to which the corporate assets belong.

Impairment losses are recognized in the Consolidated Statement of Income when the carrying amount of an asset, a CGU or a group of CGUs exceeds its recoverable amount. Such impairment losses are recognized first reducing the carrying amount of any allocated goodwill and then are allocated to the other assets of the CGU on a pro-rata basis based on the carrying amount of such assets.

Impairment losses recognized in respect of goodwill are not reversed. Assets other than goodwill are reviewed at the end of each reporting period to assess whether there is any indication that an impairment loss recognized in prior years may no longer exist or may have decreased. An impairment loss recognized is reversed if an indication of the reversal of impairment losses exists and there is a change in the estimates used to determine the asset’s recoverable amount. The reversal of an impairment loss does not exceed the carrying amount, net of depreciation and amortization, which would have been determined if any impairment loss had never been recognized for the asset in prior years.

(11) Provisions

Provisions are recognized when the Group Companies have a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

Provisions are based on present value of the expenditures expected to be required to settle the obligation, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

(12) Insurance

General Insurance Accounting

Insurance contracts issued and reinsurance contracts held by insurers are accounted for in accordance with IFRS 4 “Insurance contracts”, as well as the rules and regulations to be applied to the insurance company generally accepted in Japan.

Insurance Business Policy Reserves

In order to measure insurance liabilities using discount rates based on current market interest rates and reflect the time value of money, the Group Companies recognize interest arising from the book value of insurance liabilities during the reporting period in net income, and the fluctuation in insurance liabilities associated with changes in the discount rate applied are recognized in Other comprehensive income.

A liability adequacy test is performed in respect of the estimated present value of cash inflows, such as related insurance premiums and investment income, and cash outflows such as insurance claims and benefits and operating expenses. If the test shows that the liability is inadequate, the entire deficiency is recognized in the Consolidated Statement of Income.

(13) Equity

Common Stock

Proceeds from the issuance of equity instruments by the Company are included in “Common stock” and “Capital surplus”. Direct issuance costs (net of tax) are deducted from “Capital surplus”.

Treasury Stock

When the Company repurchases treasury stock, the consideration paid, including direct transaction costs (net of tax), is recognized as a deduction from equity. When the Company sells treasury stock, the consideration received is recognized as an addition to equity.

(14) Share-based Payments

The Group Companies have share option plans as incentive plans for directors, executive officers, and employees. The fair value of share options at the grant date is recognized as an employee expense over the vesting period from the grant date as a corresponding increase in capital surplus. The fair value of the share options is measured using the Black-Scholes model or other models, taking into account the terms of the options granted. The Group Companies regularly review the assumptions and revise estimates of the number of options that are expected to vest, as necessary.

(15) Revenue

The Group Companies recognize revenue, excluding interest and dividend income and other such income from financial instruments recognized in accordance with IFRS 9 “Financial Instruments”, insurance revenues recognized in accordance with IFRS 4 “Insurance Contracts” and lease income recognized in accordance with IFRS 16 “Leases”, upon transfer of promised goods or services to customers in amounts that reflect the consideration to which the Group Companies expect to be entitled in exchange for those goods or services based on the following five-step approach:

Step 1: Identify the contracts with customers
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The incremental costs of obtaining contracts with customers and the costs incurred in fulfilling contracts with customers that are directly associated with the contract are recognized as an asset (hereinafter, “Assets arising from contract costs”) if those costs are expected to be recoverable. The incremental costs of obtaining contracts are those costs that the Group Companies incur to obtain a contract with a customer that they would not have incurred if the contract had not been obtained. Assets arising from contract costs are amortized using the straight-line method over a period from 4 to 11 years depending on the estimated contract periods.

(16) Financial Income and Expenses

Financial income mainly comprises interest income, dividend income and changes in fair value of financial assets measured at FVTPL. Interest income is accrued using the effective interest method. Dividend income is recognized on the date when the right of the Group Companies to receive the dividend is established.

Financial expenses mainly comprise interest expenses. Interest expenses are accrued using the effective interest method.

Financial income and expenses incurred from the finance business of the subsidiaries are included in “Revenue” and “Operating expenses”.

(17) Government Grants

Government grants are recognized when the conditions attached to the issuance of the grants are satisfied and there is reasonable assurance that the grants will be received. Government grants related to income is recognized in net income throughout the period in which the expenses reimbursed by the grants are recognized. Government grants related to assets are recognized as deferred income and are amortized over the useful life of the related assets. Government grants recognized in net income are deducted from the related expenses.

(18) Employee Benefits

1) Short-term Employee Benefits

Short-term employee benefits are measured on an undiscounted basis and are expensed during the period when the related service is rendered. Accrued bonuses are recognized as liabilities, when the Group Companies have present legal or constructive obligations and when reliable estimates of the obligations can be made.

2) Retirement Benefits

The Group Companies mainly adopt the defined benefit system as their retirement benefit system.

Defined Benefit System

The net defined benefit liability (asset) is measured at the present value of the defined benefit obligation less fair value of plan asset (adjusted, as necessary, for any effect of limiting a net defined benefit asset to the asset ceiling), and recognized as employee retirement benefit liabilities or assets in the Consolidated Statement of Financial Position. The projected unit credit method is used to calculate the defined benefit obligation and its present value is determined by applying a discount rate to the expected future payments required to settle the obligation. The discount rate is determined by reference to market yields at the end of the reporting period on high quality corporate bonds with maturities which match the estimated maturity of the benefit payments.

Service costs and net interest on the net defined benefit liability (asset) are recognized in net income. Actuarial gains and losses and return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset) are recognized as remeasurements in the period in which they were incurred under other comprehensive income. Additionally, past service cost is recognized in net income at the earlier of when the plan amendment or curtailment occurs; and when related restructuring costs or termination benefits are recognized.

(19) Current and Deferred Income Tax

The income tax expense comprises current and deferred taxes. These are recognized in the Consolidated Statement of Income, except for income taxes which arise from business combinations or which are recognized either in other comprehensive income or directly in equity.

Current taxes are calculated as the expected tax payable or receivable on taxable income, using the tax rates enacted or substantially enacted by the end of the reporting period.

Deferred tax assets and liabilities are recognized on temporary differences between the carrying amounts of assets and liabilities in the Consolidated Statement of Financial Position and their corresponding tax bases. Deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition of an asset or liability in a transaction, which is not a business combination and, at the time of the transaction, affects neither income in the Consolidated Statement of Income nor taxable income.

Deferred tax assets and liabilities are based on the tax rate that is expected to apply in the period when the related deferred tax asset is realized or the deferred tax liability is settled, based on tax laws that have been enacted or substantively enacted by the end of reporting period.

Deferred tax assets are recognized for unutilized tax losses, tax credits and deductible temporary differences, only to the extent that it is probable that future taxable income will be available against which such temporary differences can be utilized.

Deferred tax assets and liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, associates, and joint ventures. However, if the Group Companies are able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future, deferred tax liabilities are not recognized. Deferred tax assets are recognized only to the extent that it is probable that there will be sufficient taxable income against which the benefit of temporary differences can be utilized and the temporary differences will reverse in the foreseeable future.

Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to settle current tax assets and liabilities on a net basis.

The Company and some of its subsidiaries have adopted the consolidated taxation system.

(20) Earnings Per Share

The Group Companies disclose basic and diluted earnings (losses) per share (attributable to the owners of the Company) related to common stock. Basic earnings (losses) per share is calculated by dividing net income (loss) (attributable to equity owners of the Company) by the weighted average number of common stock outstanding during the reporting period, adjusted for the number of treasury stock held. Diluted earnings (losses) per share are calculated, for the dilutive effects of all potential common stock by dividing net income (loss) (attributable to the owners of the Company) by the weighted average number of common stock outstanding during the reporting period, adjusted for the number of treasury stock. Potential common stock of the Group Companies relates to the share option plan.

(21) Operating Segments

Operating segments correspond to business activities, from which the Group Companies earn revenues and incur expenses, including revenues and expenses relating to transactions with other operating segments. Discrete financial information for operating results of all operating segments is available, and is regularly reviewed by the Board of Directors of the Group Companies in order to determine the allocation of resources to the segment and assess its performance.

[Changes in Presentation Method]

(Consolidated Statement of Financial Position)

"Borrowings for banking business”, which was included in “bonds and borrowings” in the previous fiscal year, is independently disclosed from the end of the second quarter ended June 30, 2022 to enhance clarity of presentation. In addition, “borrowings for securities business” and “bonds and borrowings for credit card business”, which were included in “bonds and borrowings” in the previous fiscal year, are independently disclosed from the end of the third quarter ended September 30, 2022, respectively, to enhance clarity of presentation.

In order to reflect these changes in presentation methods, the corresponding amounts from the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, ¥3,402,912 million presented as “bonds and borrowings” in the Consolidated Statement of Financial Position for the previous fiscal year has been reclassified as “bonds and borrowings” of ¥1,355,255 million, “borrowings for securities business” of ¥207,505 million, “bonds and borrowings for credit card business” of ¥733,852 million, and “borrowings for banking business” of ¥1,106,300 million.

(Consolidated Statement of Cash Flows)

"Net increase (decrease) in short-term borrowings for banking business”, which was included in “net increase (decrease) in short-term borrowings”, and “proceeds from long-term borrowings for banking business”, which was included in “proceeds from long-term borrowings”, all under “cash flows from financing activities” in the previous fiscal year, are independently disclosed from the second quarter ended June 30, 2022, respectively, to enhance clarity of presentation. In addition, “net increase (decrease) in short-term borrowings for securities business” and “net increase (decrease) in short-term borrowings for credit card business", which were included in "net increase (decrease) in short-term borrowings", "proceeds from long-term borrowings for securities business" and "proceeds from long-term borrowings for credit card business", which were included in "proceeds from long-term borrowings", and "repayments of long-term borrowings for credit card business", which was included in "repayments of long-term borrowings", all under "cash flows from financing activities" in the previous fiscal year, are independently disclosed from the third quarter ended September 30, 2022, respectively, to enhance clarity of presentation. Furthermore, "proceeds from issuance of bonds for credit card business", which was included in "proceeds from issuance of bonds", under "cash flows from financing activities" in the previous fiscal year, is independently disclosed from the fiscal year ended December 31, 2022 to enhance clarity of presentation.

In order to reflect these changes in presentation methods, the corresponding amounts from the Consolidated Financial Statements for the fiscal year ended December 31, 2021 have been reclassified.

As a result, ¥116,507 million presented as "net increase (decrease) in short-term borrowings" in the Consolidated Statement of Cash Flows for the fiscal year ended December 31, 2021 has been reclassified as "net increase (decrease) in short-term borrowings of ¥(12) million, "net increase (decrease) in short-term borrowings for securities business" of ¥(33,000) million, "net increase (decrease) in short-term borrowings for credit card business" of ¥5,019 million, and "net increase (decrease) in short-term borrowings for banking business" of ¥144,500 million. ¥729,142 million presented as "proceeds from long-term borrowings" has been reclassified as "proceeds from long-term borrowings" of ¥151,967 million, "proceeds from long-term borrowings for securities business" of ¥18,488 million, "proceeds from long-term borrowings for credit card business" of ¥176,087 million, and "proceeds from long-term borrowings for banking business" of ¥382,600 million. ¥(207,401) million presented as "repayments of long-term borrowings" has been reclassified as "repayments of long-term borrowings" of ¥(69,475) million and "repayments of long-term borrowings for credit card business" of ¥(137,926) million. ¥355,321 million presented as "proceeds from issuance of bonds" has been reclassified as "proceeds from issuance of bonds" of ¥295,598 million and "proceeds from issuance of bonds for credit card business" of ¥59,723 million.

3. Significant Accounting Estimates and Judgments

(1) Significant Accounting Estimates and Assumptions

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

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

i. Impairment of Non-Financial Assets

1) Amount recognized in the Consolidated Financial Statements for the fiscal year ended December 31, 2022

Please refer to Note 17. Property, Plant and Equipment and Note 18. Intangible Assets.

2) Information on the detail of significant accounting estimates concerning identified items

a) Method for calculating the estimates

Please refer to Note 2. Significant Accounting Policies (10) Impairment of Non-financial Assets.

b) Key assumptions used for calculating the amounts

Please refer to Note 17. Property, Plant and Equipment and Note 18. Intangible Assets.

c) Impact on the Consolidated Financial Statements for the fiscal year ending December 31, 2023

The results of the calculation of the recoverable amount may vary significantly depending on changes in the circumstances that served as the basis for the judgments and assumptions.

ii. Recoverability of Deferred Tax Assets

1) Amount recognized in the Consolidated Financial Statements for the fiscal year ended December 31, 2022

Please refer to Note 30. Income Tax Expense.

2) Information on the detail of significant accounting estimates concerning identified items

a) Method for calculating the estimates

Please refer to Note 2. Significant Accounting Policies (19) Current and Deferred Income Tax.

b) Major assumptions used for calculating the amounts

Please refer to Note 30. Income Tax Expense.

c) Impact on the Consolidated Financial Statements for the fiscal year ending December 31, 2023

Changes in the circumstance that served as the basis for the judgments and assumptions or amendment to tax laws may have a significant impact on the amounts of deferred tax assets and deferred tax liabilities.

iii. Methods of Determining Fair Value of Financial Instruments Measured at Fair Value Including Derivative Instruments

1) Amount recognized in the Consolidated Financial Statements for the fiscal year ended December 31, 2022

Please refer to Note 44. Fair Value of Financial Instruments.

2) Information on the detail of significant accounting estimates concerning identified items

a) Method for calculating the estimates

Financial assets and financial liabilities including derivatives, held by the Group Companies are evaluated at fair value as follows:

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

b) Key assumptions used for calculating the amounts

Fair values estimated using valuation techniques that include unobservable inputs are based on judgments and assumptions made by the Group Companies' management, including the selection of appropriate base rates, assumptions and calculation models to be applied.

c) Impact on the Consolidated Financial Statements for the fiscal year ending December 31, 2023

Changes in the circumstances etc. that served as the basis for the judgments and assumptions may have a significant impact on the calculation of fair value of financial instruments.

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

1) Amount recognized in the Consolidated Financial Statements for the fiscal year ended December 31, 2022

Please refer to Note 15. Allowance for Doubtful Accounts and Note 47. Financial Risk Management.

2) Information on the detail of significant accounting estimates concerning identified items

a) Method for calculating the estimates

The Group Companies recognizes estimated credit losses in respect of financial assets measured at amortized cost and debt instruments based on fair value through other comprehensive income, at present value of the difference between future contractual cash flows recoverable, and future contractual cash flows expected to be received.

b) Key assumptions used for calculating the amounts

Estimation of future cash flows considers factors including the possibility of default, historical trend concerning the amount of credit loss, and reasonably expected future events.

c) Impact on the Consolidated Financial Statements for the fiscal year ending December 31, 2023

The amount of impairment losses on financial assets measured at amortized cost and debt instruments measured at fair value through other comprehensive income may vary significantly depending on changes in the circumstances that served as the basis for the judgments and assumptions.

(2) Significant Judgment in Applying the Accounting Policies of the Group Companies

In the process of applying the accounting policies, management of the Group Companies has made certain decisions which significantly impact the amounts recognized in the Consolidated Financial Statements.

The Group Companies, mainly in the banking business and the credit card business, transact with structured entities, which are designed so that voting rights or similar rights are not the dominant factor in deciding who controls the entities. Management of the Group Companies decide whether the Group Companies are controlling the entities or not. All related facts and circumstances on the involvement with the structured entity are considered in deciding whether control over such an entity exists.

4. Segment Information

(1) General Information

As a global innovation company engaged in the three main activities of Internet Services, FinTech and Mobile, the Group Companies had been organized into three reportable segments: “Internet Services,” “FinTech” and “Mobile”.

Discrete financial information for operating results of these segments is available, and is regularly reviewed by the Board of Directors to determine the allocation of resources and assess performance.

The “Internet Services” segment comprises businesses providing various e-commerce sites including internet shopping mall “Rakuten Ichiba”, online cash-back sites, travel booking sites, portal sites, and digital content sites in North America, along with provision of messaging services, sales of advertising, etc. on these sites, and management of professional sports teams, etc.

The “FinTech” segment engages in businesses providing services related to credit cards, banking and securities over the Internet, crypto asset (virtual currency) spot transaction, life insurance, general insurance, and electronic money, etc.

The “Mobile” segment comprises business operations engaged in the provision of communication services and technologies, operation of electricity supply services, and operations including providing digital content sites, etc. in regions other than North America.

(2) Measurement of Segment Profit and Loss

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

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

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

(3) Changes in Measurement Methods of Segment Revenue and Segment Profit (Loss) by Operating Segments

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

For the year ended December 31, 2021 (January 1 to December 31, 2021)

(Millions of Yen)

	Internet Services	FinTech	Mobile	Total
Segment Revenue	¥999,185	¥619,048	¥227,511	¥1,845,744
Segment Profit (Loss)	103,351	89,120	(421,172)	(228,701)
Other items				
Depreciation and amortization	33,384	51,080	83,724	168,188

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

(Millions of Yen)

	Internet Services	FinTech	Mobile	Total
Segment Revenue	¥1,085,872	¥663,393	¥368,669	¥2,117,934
Segment Profit (Loss)	78,203	98,704	(492,830)	(315,923)
Other items				
Depreciation and amortization	30,954	54,607	140,810	226,371

The reconciliation of segment revenue to consolidated revenue is as follows:

(Millions of Yen)

	Year ended December 31, 2021	Year ended December 31, 2022
Segment Revenue	¥1,845,744	¥2,117,934
Intercompany transactions, etc.	(163,987)	(190,056)
Consolidated revenue	1,681,757	1,927,878

The reconciliation of segment profit or loss to loss before income tax is as follows:

(Millions of Yen)

	Year ended December 31, 2021	Year ended December 31, 2022
Segment loss	¥(228,701)	¥(315,923)
Intercompany transactions, etc.	3,702	(9,722)
Non-GAAP operating loss	(224,999)	(325,645)
Amortization of intangible assets	(9,321)	(10,484)
Share-based compensation expense	(10,059)	(12,587)
One-off items (Note)	49,653	(15,176)
Operating loss	(194,726)	(363,892)
Financial income and expenses	(19,738)	(41,454)
Share of income (losses) of investments in associates and joint ventures	1,834	(2,548)
Loss before income tax	(212,630)	(407,894)

(Note) One-off items listed for the fiscal year ended December 31, 2021 include a gain on step acquisition of ¥59,496 million as a result of making Altiostar Networks, Inc. a wholly-owned subsidiary of the Company and expenses of ¥8,789 million associated with an increase in provision for customer points as a result of revisions in the Rakuten Point Terms of Use. One-off items listed for the fiscal year ended December 31, 2022 include expenses associated with an increase in provision for customer points as a result of changes in the Rakuten Point Terms of Use and estimated expenses incurred from fraudulent acts committed in collusion by former employees of a subsidiary and suppliers, which are included as other expenses in the Consolidated Statement of Income.

(4) Products and Services

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

(Millions of Yen)

	Rakuten Ichiba and Rakuten Travel	Rakuten Card	Rakuten Bank	Rakuten Securities	Rakuten Mobile	Others	Revenue from external customers
Year ended December 31, 2021	¥389,708	¥191,517	¥78,488	¥86,382	¥ 136,077	¥ 799,585	¥1,681,757
Year ended December 31, 2022	441,619	196,405	92,682	83,291	188,514	925,367	1,927,878

(Note) For the fiscal year ended December 31, 2022, revenue of Rakuten Energy is presented as a separate component in “32. Revenue” due to its increased materiality. Accordingly, revenue of Rakuten Energy, formerly included in Rakuten Mobile for the previous fiscal year, has been restated as “Others” in line with the revision of the presentation classification of “32. Revenue”.

(5) Geographic Information

For the year ended December 31, 2021

(Millions of Yen)

	Japan	Americas	Europe	Asia	Others	Total
Revenue from external customers	¥1,398,283	¥181,810	¥38,216	¥62,073	¥1,375	¥1,681,757
Property, plant and equipment and intangible assets	1,368,929	315,467	106,651	40,554	2,758	1,834,359

For the year ended December 31, 2022

(Millions of Yen)

	Japan	Americas	Europe	Asia	Others	Total
Revenue from external customers	¥1,624,902	¥212,280	¥39,639	¥49,162	¥1,895	¥1,927,878
Property, plant and equipment and intangible assets	1,669,793	382,436	119,324	62,159	2,775	2,236,487

(6) Major Customers

For the year ended December 31, 2021

There are no major customers disclosed because the proportion of revenue from an individual external customer does not exceed 10% of consolidated revenue.

For the year ended December 31, 2022

There are no major customers disclosed because the proportion of revenue from an individual external customer does not exceed 10% of consolidated revenue.

5. Cash and Cash Equivalents

The breakdown of cash and cash equivalents is as follows:

(Millions of Yen)

	December 31, 2021	December 31, 2022
Cash and deposits	¥4,410,301	¥4,694,360
Cash and cash equivalents	4,410,301	4,694,360

Funds (cash and cash equivalents) stated in the Group Companies' Consolidated Statement of Cash Flows include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less and insignificant risk of changes in value. However, short-term highly liquid investments in the banking business are excluded.

6. Accounts Receivable — Trade

The breakdown of accounts receivable — trade is as follows:

(Millions of Yen)

	December 31, 2021	December 31, 2022
Accounts receivable — trade measured at amortized cost		
Notes and accounts receivable — trade	¥316,686	¥372,806
Gross amount of accounts receivable — trade measured at amortized cost	316,686	372,806
Allowance for doubtful accounts	(8,865)	(8,620)
Net amount of accounts receivable — trade measured at amortized cost	307,821	364,186
Accounts receivable — trade measured at FVTPL	0	—
Total accounts receivable — trade	307,821	364,186

The accounts receivable — trade is mainly generated from sales related to the Internet Services business. The accounts receivable — trade classified as "measured at amortized cost" are limited to those accounts receivable — trade held as part of the Group Companies' business model with, the objective of collecting contractual cash flows and a date of receipt of principal as specified in the contract conditions. All other accounts receivable — trade are classified as measured at FVTPL.

7. Financial Assets for Securities Business

The breakdown of financial assets for securities business is as follows.

(Millions of Yen)

	December 31, 2021	December 31, 2022
Financial assets measured at amortized cost		
Cash segregated as deposits	¥1,746,063	¥2,003,545
Accounts receivable relating to investment securities transactions	510,056	548,101
Margin transactions assets	665,308	701,632
Short-term guarantee deposits	132,972	136,787
Others	35,162	41,057
Gross amount of financial assets measured at amortized cost	3,089,561	3,431,122
Allowance for doubtful accounts	(1,807)	(1,756)
Net amount of financial assets measured at amortized cost	3,087,754	3,429,366
Financial assets measured at FVTPL	790	1,410
Total financial assets for securities business	3,088,544	3,430,776

(Note) Investment securities held for trading purposes are included in financial assets measured at FVTPL.

Derivative assets held for trading purposes are included in “Derivative assets,” while operating investment securities are included in “Investment securities”.

8. Loans for Credit Card Business

The breakdown of loans for credit card business is as follows:

(Millions of Yen)

	December 31, 2021	December 31, 2022
Gross amount of loans for credit card business	¥2,475,494	¥2,858,766
Allowance for doubtful accounts	(87,046)	(82,722)
Net amount of loans for credit card business	2,388,448	2,776,044

(Note) Loans for credit card business mainly comprise accounts receivable arising from the use of credit cards by customers based on installment contracts and similar.

Loans for credit card business are measured at amortized cost because they are classified as financial assets held as part of the Group Companies’ business model with the objective of collecting contractual cash flows, and such cash flows are limited to solely repayments of principal including interest on the principal balance outstanding.

9. Investment Securities for Banking Business

The breakdown of investment securities for banking business is as follows:

(Millions of Yen)

	December 31, 2021	December 31, 2022
Financial assets measured at amortized cost		
Domestic bonds	¥99,250	¥522,512
Foreign bonds	4,308	—
Others	2,086	49,261
Total financial assets measured at amortized cost	105,644	571,773
Financial assets measured at FVTPL		
Trust beneficiary rights	984	907
Others	34	33
Total financial assets measured at FVTPL	1,018	940
Debt instruments measured at FVTOCI		
Trust beneficiary rights	158,544	165,968
Domestic bonds	168,568	143,200
Foreign bonds	16,076	34,769
Others	9,253	—
Total debt instruments measured at FVTOCI (Note)	352,441	343,937
Equity instruments measured at FVTOCI	1	1
Total investment securities for banking business	459,104	916,651

(Note) The allowance for doubtful accounts on debt instruments measured at fair value through comprehensive income amounted to ¥31 million for the year ended December 31, 2021 and ¥42 million for the year ended December 31, 2022, and are included in other comprehensive income respectively.

Within investment securities for banking business, investment securities held with the objective of collecting contractual cash flows limited to solely payments of principal and interest on the principal balance outstanding on a specified date in accordance with the contractual terms, are classified as financial assets measured at amortized cost, while all other investment securities are classified as financial assets measured at fair value. Within financial assets measured at fair value, investments in equity instruments are designated as financial assets measured at FVTOCI. Additionally, investment securities held for the objective of both collecting contractual cash flows and selling financial assets and whose contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding are classified as debt instruments measured at fair value through other comprehensive income. All other investment securities are classified as financial assets measured at fair value through net income. However, investments in equity instruments, for which an irrevocable election had been made to present subsequent changes in fair value in other comprehensive income, are classified as equity instruments measured at fair value through other comprehensive income.

10. Loans for Banking Business

The breakdown of loans for banking business is as follows:

(Millions of Yen)

	December 31, 2021	December 31, 2022
Gross amount of loans for banking business	¥2,539,055	¥3,516,297
Allowance for doubtful accounts	(10,260)	(8,738)
Net amount of loans for banking business	2,528,795	3,507,559

(Note) Loans for banking business mainly comprise loan receivables from individual customers.
Loans for banking business are measured at amortized cost because they are defined as financial assets held as part of the Group Companies' business model with the objective of collecting contractual cash flows, and such cash flows are limited to repayments of principal including interest on the principal balance outstanding.

11. Investment Securities for Insurance Business

The breakdown of investment securities for insurance business is as follows:

(Millions of Yen)

	December 31, 2021	December 31, 2022
Financial assets measured at FVTPL		
Domestic bonds	¥1,313	¥1,194
Beneficiary investment trust securities		
Unlisted	104	861
Others	2,314	2,396
Total financial assets measured at FVTPL	3,731	4,451
Debt instruments measured at FVTOCI		
Trust beneficiary rights	4,975	4,089
Domestic bonds	69,046	57,245
Foreign bonds	33,501	38,807
Total debt instruments measured at FVTOCI (Note)	107,522	100,141
Equity instruments measured at FVTOCI		
Domestic bonds	11,151	10,584
Foreign bonds	2,956	20,556
Stock		
Listed	21,538	23,970
Unlisted	4,580	3,720
Beneficiary investment trust securities		
Listed	138,977	106,445
Others	0	0
Total equity instruments measured at FVTOCI	179,202	165,275
Total investment securities for insurance business	290,455	269,867

(Note) The allowance for doubtful accounts on debt instruments measured at fair value through comprehensive income amounted to ¥39 million for the year ended December 31, 2021 and ¥44 million for the year ended December 31, 2022, and are included in other comprehensive income respectively.

Within investment securities for insurance business, investment securities held as part of the Group Companies' business model with the objective of collecting contractual cash flows limited to solely payments of principal and interest on the principal balance outstanding on a specified date in accordance with the contractual terms, are classified as financial assets measured at amortized cost, while all other investment securities are classified as financial assets measured at fair value. Within financial assets measured at fair value, investments in equity instruments are designated as financial assets measured at FVTOCI.

12. Derivative Assets and Derivative Liabilities

The fair values and notional principal amounts of derivatives qualifying for hedge accounting and derivatives not qualifying for hedge accounting are as follows:

Derivatives Qualifying for Hedge Accounting

(Millions of Yen)

	December 31, 2021					Average rate
	Notional principal amount by due date			Fair value		
	One year or less	Over one year	Total	Assets	Liabilities	
Fair value hedges						
Value fluctuation risk						
Interest rate swap contracts	¥4,300	¥—	¥4,300	¥—	¥31	Floating interest rate 0.370% Fixed interest rate 1.324%
Over-the-counter forward contracts	135,621	—	135,621	775	—	
Cash flow hedges						
Exchange rate risk						
Foreign exchange forward contracts	12,866	—	12,866	115	1,075	1 U.S. dollar=¥99.39 1 U.S. dollar=1.24 Canadian dollars 1 Euro= 1.46 Canadian dollars
Currency swap contracts	12,309	86,856	99,165	6,839	107	1 U.S. dollar=¥109.15
Interest rate risk						
Interest rate swap contracts	6,494	125,546	132,040	—	944	Floating interest rate 0.486% Fixed interest rate 0.900%
Total	171,590	212,402	383,992	7,729	2,157	

(Millions of Yen)

	December 31, 2022					Average rate
	Notional principal amount by due date			Fair value		
	One year or less	Over one year	Total	Assets	Liabilities	
Fair value hedges						
Value fluctuation risk						
Interest rate swap contracts	¥—	¥—	¥—	¥—	¥—	
Over-the-counter forward contracts	106,464	—	106,464	2,701	—	
Cash flow hedges						
Exchange rate risk						
Foreign exchange forward contracts	11,941	11	11,952	112	609	1 U.S. dollar=¥130.62 1 U.S. dollar=1.32 Canadian dollars 1 Euro= 1.35 Canadian dollars
Currency swap contracts	—	160,454	160,454	14,539	3,378	1 U.S. dollar=¥120.64
Interest rate risk						
Interest rate swap contracts	—	139,810	139,810	—	62	Floating interest rate 0.497% Fixed interest rate 0.910%
Total	118,405	300,275	418,680	17,352	4,049	

Derivatives Not Qualifying for Hedge Accounting

(Millions of Yen)

	December 31, 2021			December 31, 2022		
	Notional principal amount	Fair value		Notional principal amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
Foreign currency contracts						
Foreign exchange forward contracts (Note 1)	¥126,944	¥3,434	¥577	¥197,673	¥6,452	¥3,987
Foreign exchange margin contracts	3,101,823	25,401	5,340	5,072,049	38,638	10,350
Currency swap contracts	320,960	7,195	3,934	320,960	19,142	6,519
Total of foreign currency contracts	3,549,727	36,030	9,851	5,590,682	64,232	20,856
Interest rate contracts						
Interest rate swap contracts	123,449	1,096	1,029	200,610	10,938	10,820
Total of interest rate contracts	123,449	1,096	1,029	200,610	10,938	10,820
Share price contracts						
Option contracts (Note 2)	161,847	536	11,760	183,829	88,555	—
Total of share price contracts	161,847	536	11,760	183,829	88,555	—
Others						
Forward contracts	1,077	—	27	—	—	—
Others	988	33	2	719	29	2
Total of others	2,065	33	29	719	29	2
Total	3,837,088	37,695	22,669	5,975,840	163,754	31,678

(Notes) 1. Foreign exchange forward contracts include derivative assets and derivative liabilities associated with securities business transactions in the amount of ¥368 million and ¥1 million, respectively, for the fiscal year ended December 31, 2021, and such derivatives are recorded as part of the financial assets for the securities business. Meanwhile, a notional principal amount associated with such derivatives in the amount of ¥38,830 million is included in the fiscal year ended December 31, 2021. No items to report for the for the fiscal year ended December 31, 2022.

2. In prior fiscal years, the Company entered into a cap-and-floor-model collar transaction for the prepaid variable share forward transactions on shares of Lyft, Inc., and recorded a notional principal amount and fair value of ¥182,427 million (¥160,444 million for the fiscal year ended December 31, 2021) and ¥88,189 million (¥11,760 million for the fiscal year ended December 31, 2021), respectively, for option contracts under share price contracts as derivative assets (liabilities for the fiscal year ended December 31, 2021). Derivatives arising from the Prepaid Variable Share Forward Transactions of Shares of Lyft, Inc. are segregated as embedded derivatives. For details of the transaction, please refer to Note 26. Other Financial Liabilities, (Note) Prepaid Variable Share Forward Transactions of Shares of Lyft, Inc.

13. Investment Securities

The breakdown of investment securities is as follows:

(Millions of Yen)

	December 31, 2021	December 31, 2022
Financial assets measured at amortized cost		
Trust beneficiary rights	¥1,800	¥800
Domestic bonds	4,702	—
Others	6	6
Total financial assets measured at amortized cost	6,508	806
Financial assets measured at FVTPL		
Shares		
Listed	155,367	50,202
Unlisted	94,748	82,065
Stock investment trust beneficiary securities		
Unlisted	18,707	21,918
Total financial assets measured at FVTPL	268,822	154,185
Equity instruments measured at FVTOCI		
Shares		
Listed	4,007	3,981
Unlisted	1,837	2,095
Others	5	4
Total equity instruments measured at FVTOCI	5,849	6,080
Total investment securities	281,179	161,071

14. Other Financial Assets

The breakdown of other financial assets is as follows:

(Millions of Yen)

	December 31, 2021	December 31, 2022
Financial assets measured at amortized cost		
Accounts receivable — other	¥148,893	¥199,876
Call loans for banking business	5,420	12,224
Security deposits	130,343	194,058
Receivables under securities borrowing transactions	149,018	539,001
Others	153,954	219,282
Gross amount of financial assets measured at amortized cost	587,628	1,164,441
Allowance for doubtful accounts	(4,582)	(5,198)
Net amount of financial assets measured at amortized cost	583,046	1,159,243
Financial assets measured at FVTPL	5,343	8,194
Financial assets measured at FVTOCI	—	16
Policy reserves (for reinsured portion)	54,261	46,484
Total other financial assets	642,650	1,213,937

15. Allowance for Doubtful Accounts

Changes in the allowance for doubtful accounts by type of financial assets measured at amortized cost as well as debt instruments measured at fair value through other comprehensive income are as follows:

For the year ended December 31, 2021

(Millions of Yen)

	Accounts receivable — trade	Financial assets for securities business	Loans for credit card business	Investment securities for banking business	Loans for banking business	Investment securities for insurance business	Other financial assets	Total
January 1, 2021	¥8,950	¥1,884	¥84,345	¥50	¥12,184	¥42	¥4,566	¥112,021
Increase for the period (provision)	1,754	—	39,395	1	1,361	—	112	42,623
Increase for the period (others)	247	—	2	0	0	—	402	651
Decrease for the period (intended use)	(1,498)	(72)	(36,696)	—	(1,670)	—	(61)	(39,997)
Decrease for the period (reversal)	(588)	—	—	(20)	(1,615)	(3)	(437)	(2,663)
Decrease for the period (others)	—	(5)	—	—	—	—	—	(5)
December 31, 2021	8,865	1,807	87,046	31	10,260	39	4,582	112,630

(Note) The above table includes the allowance for doubtful accounts on debt instruments measured at FVTOCI. Such allowance for doubtful accounts is recognized in profit or loss and deducted from losses in other comprehensive income.

For the year ended December 31, 2022

(Millions of Yen)

	Accounts receivable — trade	Financial assets for securities business	Loans for credit card business	Investment securities for banking business	Loans for banking business	Investment securities for insurance business	Other financial assets	Total
January 1, 2022	¥8,865	¥1,807	¥87,046	¥31	¥10,260	¥39	¥4,582	¥112,630
Increase for the period (provision)	1,552	43	38,939	21	2,784	5	187	43,531
Increase for the period (others)	398	—	—	—	—	—	507	905
Decrease for the period (intended use)	(2,125)	(94)	(39,046)	—	(1,276)	—	(46)	(42,587)
Decrease for the period (reversal)	(70)	—	(4,210)	(10)	(3,029)	—	(32)	(7,351)
Decrease for the period (others)	—	—	(7)	(0)	(1)	—	—	(8)
December 31, 2022	8,620	1,756	82,722	42	8,738	44	5,198	107,120

(Note)The above table includes the allowance for doubtful accounts on debt instruments measured at FVTOCI. Such allowance for doubtful accounts is recognized in profit or loss and deducted from losses in other comprehensive income.

16. Investments in Associates and Joint Ventures

(1) Investments in Associates

The Group Companies account for investments in associates and joint ventures using equity method with some exceptions.

1) Summarized consolidated financial information on significant associates

Seiyu Holdings Co., Ltd.

a) General information

Seiyu Holdings Co., Ltd. (location: Kita-ku, Tokyo, Japan) is the holding company of Seiyu Co., Ltd. and others.

b) Summarized consolidated financial information

Summarized consolidated financial information on Seiyu Holdings Co., Ltd. which has been accounted for using equity method since March 1, 2021 is as follows:

(Millions of Yen)

	December 31, 2021	December 31, 2022
Current assets	¥139,084	¥152,408
Non-current assets	469,557	443,406
Current liabilities	161,006	159,553
Non-current liabilities	358,458	320,446
Equity	89,177	115,815
Ownership percentage (%)	20.0%	19.9%
Share of voting rights (%)	20.0%	20.0%
Ownership interests held by Group Companies	17,835	23,009
Consolidation adjustments	313	881
Book value of investments	18,148	23,890

(Millions of Yen)

	Year ended December 31, 2021 (from March 1, 2021 to December 31, 2021)	Year ended December 31, 2022 (from January 1, 2022 to December 31, 2022)
Revenue	¥630,859	¥720,971
Gain from bargain purchase	36,046	-
Net income	39,975	26,206
Other comprehensive income	739	360
Comprehensive income	40,714	26,566

(Millions of Yen)

	Year ended December 31, 2021 (from March 1, 2021 to December 31, 2021)	Year ended December 31, 2022 (from January 1, 2022 to December 31, 2022)
Net income attributable to owners of the Company	¥8,307	¥5,672
Other comprehensive income attributable to owners of the Company	148	71
Comprehensive income attributable to owners of the Company	8,455	5,743

(Note) In the fiscal years ended December 31, 2021 and 2022, there were no dividend income received from Seiyu Holdings Co., Ltd.

2) Investments in insignificant associates

The carrying amounts of investments in associates and joint ventures, which are all individually insignificant, are as follows:

(Millions of Yen)

	December 31, 2021	December 31, 2022
Total carrying amount	¥49,369	¥50,153

Financial information on associates and joint ventures, which are all individually insignificant, is as follows. The following amounts represent the Group Companies' portion of ownership interests.

(Millions of Yen)

	Year ended December 31, 2021	Year ended December 31, 2022
Net loss	¥(6,702)	¥(8,285)
Other comprehensive income	5,008	4,847
Comprehensive income	(1,694)	(3,438)

(2) Investments in Joint Ventures

For certain investments in companies, the Group Companies have entered into contracts which require unanimous consent among the counterparties for decisions that significantly affect the returns from the investment. As the Group Companies exercise joint control with such counterparties and have rights to the investee's net assets, such companies are determined to be joint ventures and are accounted for using equity method.

The total carrying amounts of investments in individually insignificant joint ventures are as follows:

(Millions of Yen)

	December 31, 2021	December 31, 2022
Total carrying amount	¥1,474	¥3,498

Aggregate financial information on individually insignificant joint ventures is as follows. The following amounts represent the Group Companies' portion of ownership interests.

(Millions of Yen)

	Year ended December 31, 2021	Year ended December 31, 2022
Net income	¥229	¥65
Comprehensive income	229	65

17. Property, Plant and Equipment

(1) Schedule of Changes in Property, Plant and Equipment

(Millions of Yen)

	Buildings and accompanying facilities	Tools, furniture and fixtures	Machinery facilities	Construction in progress	Right-of-use assets	Others	Total
January 1, 2021							
Cost	¥60,884	¥80,668	¥164,671	¥137,385	¥341,856	¥38,895	¥824,359
Accumulated depreciation and accumulated impairment losses	(15,276)	(38,628)	(13,972)	―	(62,180)	(10,193)	(140,249)
Carrying amount	45,608	42,040	150,699	137,385	279,676	28,702	684,110
Increases	6,081	32,022	183,371	58,162	187,962	13,434	481,032
Acquisition through business combinations	2,952	1,826	―	―	67	721	5,566
Disposals and sales	(5,334)	(470)	(198)	(13,098)	(78,473)	(806)	(98,379)
Impairment losses	(20)	(3)	―	(882)	(125)	(62)	(1,092)
Depreciation	(5,288)	(12,044)	(30,368)	―	(45,008)	(1,923)	(94,631)
Foreign currency translation adjustments	1,942	494	―	45	727	475	3,683
Other changes	(27)	88	20	(4,724)	(391)	107	(4,927)
December 31, 2021							
Cost	64,310	116,606	347,842	176,888	429,344	47,555	1,182,545
Accumulated depreciation and accumulated impairment losses	(18,396)	(52,653)	(44,318)	―	(84,909)	(6,907)	(207,183)
Carrying amount	45,914	63,953	303,524	176,888	344,435	40,648	975,362
Increases	20,159	39,406	222,473	(5,347)	152,429	28,261	457,381
Acquisition through business combinations	―	72	―	38	―	―	110
Disposals and sales	(988)	(1,449)	(580)	(7,922)	(10,072)	(234)	(21,245)
Impairment losses	(169)	(118)	(1,033)	(1,881)	(624)	(190)	(4,015)
Depreciation	(6,133)	(16,968)	(55,795)	―	(60,301)	(3,522)	(142,719)
Foreign currency translation adjustments	2,449	546	―	31	636	605	4,267
Other changes	(41)	51	(6,212)	(2,144)	381	939	(7,026)
December 31, 2022							
Cost	85,581	151,358	563,946	159,666	569,104	75,659	1,605,314
Accumulated depreciation and accumulated impairment losses	(24,390)	(65,865)	(101,569)	(3)	(142,220)	(9,152)	(343,199)
Carrying amount	61,191	85,493	462,377	159,663	426,884	66,507	1,262,115

(Note) With respect to construction in progress in the table above, 'Increases' includes the increase due to new acquisitions net of the decrease due to reclassification to others of property, plant and equipment. Depreciation is presented within "Operating expenses" and Impairment loss is presented within "Other expenses" in the Consolidated Statement of Income.

(2) Impairment of Property, Plant and Equipment

The Group Companies assess at each reporting date, whether there are any indications that property, plant and equipment may be impaired. If any indication exists, the Group Companies estimate the recoverable amount of the asset.

In principle, the Group Companies estimate the recoverable amount of individual assets. However if estimation of the recoverable amount of individual assets is not possible, then estimation of the recoverable amount of the CGU to which the asset belongs is made. A CGU is the smallest identifiable group of assets, which generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. In principle, each group company is considered to be a CGU. Idle assets for which no future use is anticipated are considered individually as CGUs.

For the year ended December 31, 2021

In the Internet Services segment and the Mobile segment, impairment losses have been recorded on property, plant and equipment of ¥145 million and ¥947 million, respectively.

For the year ended December 31, 2022

In the Internet Services segment, the FinTech segment and the Mobile segment, impairment losses have been recorded on property, plant and equipment of ¥538 million, ¥4 million, and ¥ 3,473 million, respectively.

18. Intangible Assets

(1) Schedule of Changes in Intangible Assets

(Millions of Yen)

	Goodwill	Software	Others	Total
January 1, 2021				
Cost	¥422,177	¥434,671	¥174,772	¥1,031,620
Accumulated amortization and accumulated impairment losses	(65,818)	(228,740)	(97,473)	(392,031)
Carrying amount	356,359	205,931	77,299	639,589
Increases	―	104,166	60,099	164,265
Acquisition through business combinations	87,848	113	25,229	113,190
Disposals and sales	(872)	(1,159)	(5,808)	(7,839)
Impairment losses	―	(613)	(7)	(620)
Amortization	―	(65,669)	(18,036)	(83,705)
Foreign currency translation adjustments	34,020	3,107	3,091	40,218
Other changes	415	(1,624)	(4,892)	(6,101)
December 31, 2021				
Cost	549,351	532,656	247,862	1,329,869
Accumulated amortization and accumulated impairment losses	(71,581)	(288,404)	(110,887)	(470,872)
Carrying amount	477,770	244,252	136,975	858,997
Increases	―	121,605	19,897	141,502
Acquisition through business combinations	31,178	―	4,345	35,523
Disposals and sales	(729)	(2,929)	(199)	(3,857)
Impairment losses	―	(6,224)	(650)	(6,874)
Amortization	―	(81,690)	(21,423)	(103,113)
Foreign currency translation adjustments	49,962	3,746	5,119	58,827
Other changes	822	(2,118)	(5,337)	(6,633)
December 31, 2022				
Cost	638,440	634,126	273,969	1,546,535
Accumulated amortization and accumulated impairment losses	(79,437)	(357,484)	(135,242)	(572,163)
Carrying amount	559,003	276,642	138,727	974,372

(Note) Software under intangible assets mainly comprises internally generated software.
Amortization of intangible assets is presented in “Operating expenses” and impairment losses are presented in “Other expenses” in the Consolidated Statement of Income.

Research and development expenses recognized as expenses for the years ended December 31, 2021 and 2022 were ¥17,287 million and ¥14,156 million, respectively.

(2) Impairment of Goodwill and Intangible Assets with Indefinite Useful Lives

The balance of goodwill and intangible assets with indefinite useful lives of each CGU or group of CGUs is as follows:

(Millions of Yen)

Operating segment	CGU or a group of CGUs	December 31, 2021		December 31, 2022	
		Goodwill	Intangible assets with indefinite useful lives	Goodwill	Intangible assets with indefinite useful lives
Internet Services	Internet Services segment	¥288,424	¥1,070	¥316,685	¥1,100
FinTech	Rakuten Bank, Ltd.	32,886	—	32,886	0
	Others	21,593	2	21,839	37
	Subtotal	54,479	2	54,725	37
Mobile	Mobile segment	134,867	49,648	187,593	52,758
	Total	477,770	50,720	559,003	53,895

(Note) Intangible assets with indefinite useful lives mainly refer to fees to set up specified base stations. The fees to set up specified base stations are an amount incurred by the Group Companies to receive the allocation of frequencies and is determined to be an intangible asset with an indefinite useful life, as its effect will continue as long as the base stations are maintained and operated.

Impairment losses of goodwill and intangible assets with indefinite useful lives are as follows:

For the year ended December 31, 2021

Not applicable.

For the year ended December 31, 2022

Not applicable.

The Group Companies perform impairment testing of goodwill at least annually, regardless of whether there is any indication of impairment. Intangible assets with indefinite useful lives are not amortized; instead they are tested for impairment annually. The Group Companies individually determine the timing of the impairment test for goodwill and intangible assets with indefinite useful lives taking into consideration the timing of the formulation of the relevant business plan. Indications of impairment are also assessed every quarter; and if any such indication exists, impairment testing is performed.

When conducting an impairment test, the Group Companies, as a general rule, consider each company to be a CGU. A CGU is the smallest identifiable group of assets, which generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Goodwill is allocated to CGUs or groups of CGUs expected to benefit from synergies associated with business combinations.

As a result, in the Internet Services segment and the Mobile segment, goodwill is subject to monitoring for internal management purposes, due to the expectations for the segment to benefit from intercompany synergies. Accordingly, impairment testing is conducted for the group of CGUs at the operating segment level. Meanwhile, in the FinTech segment, impairment testing is conducted, as a general rule, with each company as a CGU, in light of the unique business environment of each company.

The recoverable amount of a CGU or a group of CGUs with allocated goodwill is the higher of a value in use and fair value less costs of disposal. On December 31, 2022, the recoverable amounts of all CGUs or groups of CGUs to which goodwill was allocated were determined with reference to their calculated values in use.

Value in use is calculated based on the business plans approved by management of each CGU or group of CGU, using pre-tax, estimated future cash flows for primarily three to five years and other assumptions for a three to five year period. These business plans have been drawn up based primarily on gross merchandise sales in the Internet Services segment, the number of accounts and the number of registered members in the FinTech segment, and average revenue per user (ARPU), the number of new users, and churn rate in the Mobile segment. For periods beyond those covered by the business plans, the terminal value is assessed.

Terminal value is calculated using the estimated growth rate of each CGU or group of CGUs. Also the pre-tax discount rate used in the assessment of value in use is calculated for each CGU or group of CGUs.

The growth rates used in predicting cash flows for periods beyond those covered by the business plans of each CGU reflect the status of the country and the industry to which the CGU belongs and do not exceed the average long-term growth rate of the industry in which the CGU is active. Pre-tax discount rates used in calculating terminal value reflect the inherent risks of the relevant businesses of each CGU or group of CGUs. Discount rates are determined based on comparable companies of each CGU or group of CGUs, incorporating market interest rates, the size of the subsidiary comprising the CGU, and other factors.

Additionally, the business plan, which forms the basis for the measurement of the recoverable amount in the impairment tests of goodwill and intangible assets with indefinite useful lives, is compared with past performance and consideration is made as to whether the business plan is a reasonable basis for predicting future cash flows.

Significant assumptions used in the calculation of the recoverable amount as of December 31, 2021 and 2022 are as follows. The following estimates have been used in the analysis of each CGU or group of CGUs.

Operating segment	CGU or a group of CGUs	December 31, 2021		December 31, 2022	
		Growth rate	Discount rate	Growth rate	Discount rate
Internet Services	Internet Services segment	1.0%	6.7%	1.0%	5.4%
FinTech	Rakuten Bank, Ltd.	1.0%	4.2%	1.0%	3.3%
	Others	1.0%	3.0%-9.3%	1.0%	2.7%-9.0%
Mobile (Note)	Mobile segment	1.0%	10.6%	1.0%	12.9%

(Note) Discount rate of the Mobile segment for the fiscal year ended December 31, 2022 has taken into account the planned business expansion of Rakuten Symphony, which was recently established.

Sensitivity Analysis

The recoverable amounts of CGUs and groups of CGUs to which goodwill and intangible assets with indefinite useful lives have been allocated significantly exceed their carrying amounts, therefore the Group Companies judge that significant impairment is unlikely to occur for these CGUs and groups of CGUs, even if the major assumptions used in impairment testing were to change within a reasonably predictable range.

(3) Impairment of Intangible Assets (Except for Goodwill and Intangible Assets with Indefinite Useful Lives)

The Group Companies assess, at each reporting date, whether there is an indication that intangible assets (except for goodwill and intangible assets with indefinite useful lives) may be impaired. If any indication exists, the Group Companies estimate the recoverable amount of the asset.

In principle, the Group Companies estimate the recoverable amount for the individual asset, but if estimation of the recoverable amount of individual assets is not possible, an estimation of the recoverable amount of the CGU to which the asset belongs is made. Idle assets for which future use is not anticipated are considered individually.

For the year ended December 31, 2021
In the Internet Services segment and the Mobile segment, impairment losses of ¥606 million and ¥14 million relating to intangible assets (except for goodwill and intangible assets with indefinite useful lives) were recorded, respectively.

For the year ended December 31, 2022
In the Internet Services segment, the FinTech segment and the Mobile segment, impairment losses of ¥1,256 million, ¥792 million, and ¥4,826 million relating to intangible assets (except for goodwill and intangible assets with indefinite useful lives) were recorded, respectively.

19. Deposits for Banking Business

The breakdown of deposits for banking business is as follows:

(Millions of Yen)

	December 31, 2021	December 31, 2022
Financial liabilities measured at amortized cost		
Demand deposits	¥6,401,269	¥7,748,834
Time deposits	447,101	670,263
Total financial liabilities measured at amortized cost	6,848,370	8,419,097
Total deposits for banking business	6,848,370	8,419,097

20. Financial Liabilities for Securities Business

The breakdown of Financial Liabilities for Securities Business is as follows:

(Millions of Yen)

	December 31, 2021	December 31, 2022
Accounts payable relating to securities transactions	¥507,153	¥545,030
Margin transactions liabilities	132,378	156,342
Deposits received	1,361,096	1,476,564
Borrowings secured by securities	509,198	726,762
Guarantee deposits received	522,598	588,725
Others	573	1,044
Total financial liabilities for securities business	3,032,996	3,494,467

(Note) Financial liabilities for securities business are measured at amortized cost.

Derivative liabilities classified as held for trading are included in “Derivative liabilities”.

21. Bonds and Borrowings

The schedule of bonds is as follows:

(Millions of Yen)

Name	Type	Interest rate	December 31, 2021	December 31, 2022
Rakuten Group, Inc.	The 5th unsecured bond Currency: JPY Maturity: 7 years	0.25%	¥9,987	¥9,996
Rakuten Group, Inc.	The 7th unsecured bond Currency: JPY Maturity: 5 years	0.22%	29,986	—
Rakuten Group, Inc.	The 8th unsecured bond Currency: JPY Maturity: 7 years	0.32%	19,966	19,980
Rakuten Group, Inc.	The 9th unsecured bond Currency: JPY Maturity: 10 years	0.42%	9,968	9,974
Rakuten Group, Inc.	The 10th unsecured bond Currency: JPY Maturity: 3 years	0.08%	9,993	—
Rakuten Group, Inc.	The 11th unsecured bond Currency: JPY Maturity: 5 years	0.25%	9,875	9,885
Rakuten Group, Inc.	The 12th unsecured bond Currency: JPY Maturity: 7 years	0.35%	19,939	19,953
Rakuten Group, Inc.	The 13th unsecured bond Currency: JPY Maturity: 10 years	0.45%	19,920	19,931
Rakuten Group, Inc.	The 14th unsecured bond Currency: JPY Maturity: 15 years	0.90%	19,901	19,909
Rakuten Group, Inc.	The 15th unsecured bond Currency: JPY Maturity: 3 years	0.50%	74,718	74,814
Rakuten Group, Inc.	The 16th unsecured bond Currency: JPY Maturity: 5 years	0.60%	44,804	44,844
Rakuten Group, Inc.	The 17th unsecured bond Currency: JPY Maturity: 7 years	0.80%	9,952	9,959
Rakuten Group, Inc.	The 18th unsecured bond Currency: JPY Maturity: 10 years	1.05%	84,588	84,629
Rakuten Group, Inc.	The 19th unsecured bond Currency: JPY Maturity: 12 years	1.30%	37,802	37,818
Rakuten Group, Inc.	The 20th unsecured bond Currency: JPY Maturity: 15 years	1.50%	43,754	43,770
Rakuten Group, Inc.	The 21th unsecured bond Currency: JPY Maturity: 3 years	0.72%	—	148,751

Name	Type	Interest rate	December 31, 2021	December 31, 2022
Rakuten Group, Inc.	The 1st subordinated bond Currency: JPY Maturity: 35 years	2.35%	67,776	67,893
Rakuten Group, Inc.	The 2nd subordinated bond Currency: JPY Maturity: 37 years	2.61%	25,864	25,899
Rakuten Group, Inc.	The 3rd subordinated bond Currency: JPY Maturity: 40 years	3.00%	12,908	12,922
Rakuten Group, Inc.	The 4th subordinated bond Currency: JPY Maturity: 35 years	1.81%	49,666	49,753
Rakuten Group, Inc.	The 5th subordinated bond Currency: JPY Maturity: 37 years	2.48%	19,852	19,877
Rakuten Group, Inc.	The 6th subordinated bond Currency: JPY Maturity: 40 years	3.00%	49,570	49,618
Rakuten Group, Inc.	The November 2024 maturity USD-denominated unsecured bond Currency: USD Maturity: 5 years	3.546%	91,843	104,625
Rakuten Group, Inc.	The November 2024 maturity USD-denominated unsecured bond Currency: USD Maturity: 2 years	10.250%	—	62,466
	Total bonds	—	762,632	947,266

(Note) All bonds are measured at amortized cost.

The nominal interest rates applied for each bond in the fiscal year ended December 31, 2021 or 2022 are stated in the “Interest rate” column, and they differ from the effective interest rates.

During the year ended December 31, 2022, the Company issued the 21st unsecured bond of ¥150,000 million (interest rate: 0.72%, redemption: June 13, 2025) and USD-denominated unsecured bond of 500 million U.S. dollars (interest rate: 10.25%, redemption: November 30, 2024).

During the year ended December 31, 2022, the Company’s 7th unsecured bond of ¥30,000 million (interest rate: 0.22%, redemption: June 24, 2022) and the 10th unsecured bond of ¥10,000 million (interest rate: 0.08%, redemption: June 24, 2022) were redeemed.

The schedule of borrowings is as follows:

(Millions of Yen)

	December 31, 2021	December 31, 2022
Short-term borrowings	¥—	¥123,193
Long-term borrowings		
Floating-rate borrowings	252,621	221,796
Fixed-rate borrowings	226,002	294,526
Commercial paper	114,000	174,000
Total borrowings	592,623	813,515

(Note) All borrowings are measured at amortized cost.

The schedule of the maturity and interest rate of borrowings is as follows:

	December 31, 2021		December 31, 2022	
	Maturity	Interest rate	Maturity	Interest rate
Short-term borrowings	—	—	—	1.87%
Long-term borrowings				
Floating-rate borrowings	8 years to 10 years	0.38%-0.66%	8 years to 10 years	0.39%-0.51%
Fixed-rate borrowings	5 years	1.98%-2.75%	5 years to 8 years	0.48%-2.75%
Commercial paper	—	0.01%-0.10%	—	0.15%-0.47%

(Note) Maturities of short-term borrowings and commercial paper are within one year, and thus the description is omitted.

The nominal interest rates applied for each borrowing are stated in the “Interest rate” column, and they differ from the effective interest rates.

22. Borrowings for Securities Business

The schedule of borrowings for securities business is as follows:

(Millions of Yen)

	December 31, 2021	December 31, 2022
Short-term borrowings	¥189,000	¥139,000
Long-term borrowings		
Floating-rate borrowings	18,505	18,542
Total borrowings	207,505	157,542

(Note) All borrowings are measured at amortized cost.

The schedule of the maturity and interest rate of borrowings is as follows:

	December 31, 2021		December 31, 2022	
	Maturity	Interest rate	Maturity	Interest rate
Short-term borrowings	—	0.15%-0.48%	—	0.14%-1.48%
Long-term borrowings				
Floating-rate borrowings	3 years	0.36%	3 years	0.35%

(Note) Maturities of short-term borrowings are within one year, and thus the description is omitted. The nominal interest rates applied for each borrowing are stated in the “Interest rate” column, and they differ from the effective interest rates.

23. Bonds and Borrowings for Credit Card Business

The schedule of bonds for credit card business is as follows:

(Millions of Yen)

Name	Type	Interest rate	December 31, 2021	December 31, 2022
Rakuten Card Co., Ltd.	The 1st unsecured bond Currency: JPY Maturity: 3 years	0.14%	19,973	—
Rakuten Card Co., Ltd.	The 2nd unsecured bond Currency: JPY Maturity: 5 years	0.30%	19,845	19,864
Rakuten Card Co., Ltd.	The 3rd unsecured bond Currency: JPY Maturity: 7 years	0.42%	9,966	9,972
Rakuten Card Co., Ltd.	The 4th unsecured bond Currency: JPY Maturity: 5 years	0.49%	29,868	29,719
Rakuten Card Co., Ltd.	The 5th unsecured bond Currency: JPY Maturity: 3 years	0.30%	29,879	29,920
Rakuten Card Co., Ltd.	The 6th unsecured bond Currency: JPY Maturity: 5 years	0.62%	13,933	13,947
Rakuten Card Co., Ltd.	The 7th unsecured bond Currency: JPY Maturity: 7 years	0.83%	4,973	4,977
Rakuten Card Co., Ltd.	The 8th unsecured bond Currency: JPY Maturity: 10 years	1.07%	10,941	10,946
Rakuten Card Co., Ltd.	The 9th unsecured bond Currency: JPY Maturity: 5 years	1.65%	—	49,692
	Total bonds	—	139,378	169,037

(Note) All bonds are measured at amortized cost.

The nominal interest rates applied for each bond in the fiscal year ended December 31, 2021 or 2022 are stated in the “Interest rate” column, and they differ from the effective interest rates.

During the year ended December 31, 2022, Rakuten Card Co., Ltd. issued the 9th unsecured bond of ¥50,000 million (interest rate: 1.65%, redemption: December 16, 2027).

During the year ended December 31, 2022, Rakuten Card Co., Ltd.’s 1st unsecured bond of ¥20,000 million (interest rate: 0.14%, redemption: December 12, 2022) was redeemed.

The schedule of borrowings for credit card business is as follows:

(Millions of Yen)

	December 31, 2021	December 31, 2022
Short-term borrowings	¥74,345	¥77,905
Long-term borrowings		
Floating-rate borrowings	97,190	107,590
Fixed-rate borrowings	222,939	228,306
Commercial paper	200,000	229,900
Total borrowings	594,474	643,701

(Note) All borrowings are measured at amortized cost.

The schedule of the maturity and interest rate of borrowings is as follows:

	December 31, 2021		December 31, 2022	
	Maturity	Interest rate	Maturity	Interest rate
Short-term borrowings	—	0.35%-1.18%	—	0.35%-1.98%
Long-term borrowings				
Floating-rate borrowings	3 years to 5 years	0.31%-2.59%	3 years to 5 years	0.31%-2.25%
Fixed-rate borrowings	3 years to 25 years	0.20%-1.07%	3 years to 25 years	0.20%-1.23%
Commercial paper	—	0.02%-0.12%	—	0.06%-0.60%

(Note) Maturities of short-term borrowings and commercial paper are within one year, and thus the description is omitted.

The nominal interest rates applied for each borrowing are stated in the “Interest rate” column, and they differ from the effective interest rates. In addition, fixed-rate borrowings includes the underlying hedged items of cash flow hedges where floating-rate borrowings is swapped for fixed rate debt, and the interest rates stated in the “Interest rate” column incorporate the effect of the cash flow hedges.

24. Borrowings for Banking Business

The schedule of borrowings for banking business is as follows:

(Millions of Yen)

	December 31, 2021	December 31, 2022
Short-term borrowings	¥484,500	¥4,289
Long-term borrowings		
Fixed-rate borrowings	621,800	2,177,400
Total borrowings	1,106,300	2,181,689

(Note) All borrowings are measured at amortized cost.

The schedule of the maturity and interest rate of borrowings is as follows:

	December 31, 2021		December 31, 2022	
	Maturity	Interest rate	Maturity	Interest rate
Short-term borrowings	—	0%	—	1.26%
Long-term borrowings				
Fixed-rate borrowings	4 years	0%	4 years	0%

(Note) Maturities of short-term borrowings are within one year, and thus the description is omitted.
The nominal interest rates applied for each borrowing are stated in the “Interest rate” column, and they differ from the effective interest rates.

25. Reconciliation of Changes in Liabilities relating to Cash Flows arising from Financing Activities

For the year ended December 31, 2021

(Millions of Yen)

	Liabilities						
	Bonds	Bonds for credit card business	Borrowings	Borrowings for securities business	Borrowings for credit card business	Borrowings for banking business	Lease liabilities
January 1, 2021	¥541,353	¥79,565	¥515,165	¥222,000	¥550,174	¥579,200	¥280,760
Changes in cash flows from financing and repayments							
Net increase (decrease) in short-term borrowings	—	—	(12)	(33,000)	5,019	144,500	—
Increase (decrease) in commercial papers	—	—	(6,000)	—	—	—	—
Proceeds from long-term borrowings	—	—	151,967	18,488	176,140	382,600	—
Repayments of long-term borrowings	—	—	(69,475)	—	(137,926)	—	—
Proceeds from issuance of bonds	297,000	60,000	—	—	—	—	—
Redemption of bonds	(84,683)	—	—	—	—	—	—
Repayments of lease liabilities	—	—	—	—	—	—	(44,787)
Payments of transaction costs relating to borrowings, etc.	(1,402)	(277)	—	—	(53)	—	—
Total changes from financing cash flows	210,915	59,723	76,480	(14,512)	43,180	527,100	(44,787)
Non-fund transactions							
Changes as a result of gaining or losing control of a subsidiary or another business	—	—	—	—	—	—	(77,012)
Changes due to increases in right-of-use assets	—	—	—	—	—	—	189,136
Impact of changes in foreign currency exchange rates	9,697	—	2	—	1,073	—	844
Interest expenses	667	90	976	17	47	—	—
Other changes	—	—	—	—	—	—	(6,667)
December 31, 2021	762,632	139,378	592,623	207,505	594,474	1,106,300	342,274

For the year ended December 31, 2022

(Millions of Yen)

	Liabilities						
	Bonds	Bonds for credit card business	Borrowings	Borrowings for securities business	Borrowings for credit card business	Borrowings for banking business	Lease liabilities
January 1, 2022	¥762,632	¥139,378	¥592,623	¥207,505	¥594,474	¥1,106,300	¥342,274
Changes in cash flows from financing and repayments							
Net increase (decrease) in short-term borrowings	—	—	122,392	(50,000)	3,312	(480,110)	—
Increase (decrease) in commercial papers	—	—	60,000	—	29,900	—	—
Proceeds from long-term borrowings	—	—	141,269	—	183,777	1,823,800	—
Repayments of long-term borrowings	—	—	(104,411)	—	(168,186)	(268,200)	—
Proceeds from issuance of bonds	217,412	49,718	—	—	—	—	—
Redemption of bonds	(40,000)	(20,000)	—	—	—	—	—
Repayments of lease liabilities	—	—	—	—	—	—	(57,774)
Payments of transaction costs relating to borrowings, etc.	(2,389)	—	—	—	—	—	—
Total changes from financing cash flows	175,023	29,718	219,250	(50,000)	48,803	1,075,490	(57,774)
Non-fund transactions							
Changes as a result of gaining or losing control of a subsidiary or another business	—	—	—	—	—	—	(1,583)
Changes due to increases in right-of-use assets	—	—	—	—	—	—	158,772
Impact of changes in foreign currency exchange rates	8,680	—	—	—	—	(101)	754
Interest expenses	1,265	152	1,642	37	424	—	—
Other changes	(334)	(211)	—	—	—	—	(11,620)
December 31, 2022	947,266	169,037	813,515	157,542	643,701	2,181,689	430,823

26. Other Financial Liabilities

The breakdown of other financial liabilities is as follows:

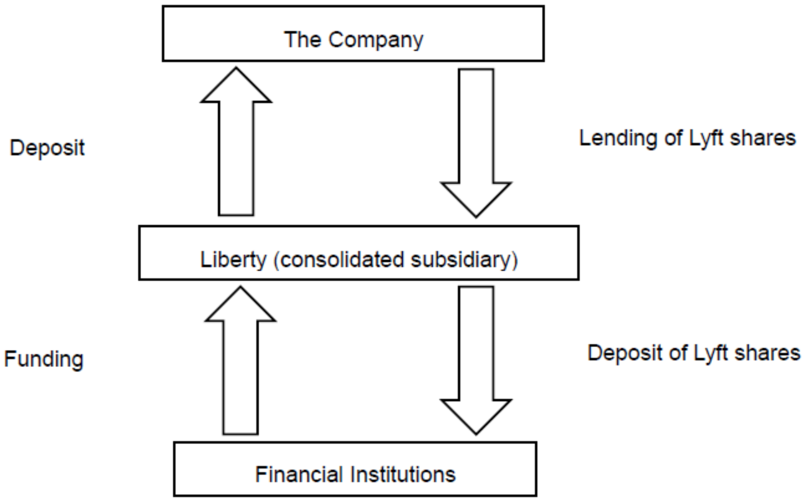
(Millions of Yen)

	December 31, 2021	December 31, 2022
Financial liabilities measured at amortized cost		
Other payables	¥555,405	¥617,310
Accrued expenses	62,549	61,681
Deposits received	144,281	213,347
Margin deposits received	13,892	14,700
Guarantee deposits received (Note)	267,970	255,328
Lease liabilities	342,274	430,823
Others	24,438	32,424
Total financial liabilities measured at amortized cost	1,410,809	1,625,613
Financial liabilities measured at fair value through net income		
Other	4,559	1,687
Total financial liabilities measured at fair value through net income	4,559	1,687
Total other financial liabilities	1,415,368	1,627,300

(Note) Prepaid Variable Share Forward Transactions of Shares of Lyft, Inc.

During the third quarter ended September 30, 2020, the Company concluded a master contract with financial institutions through its subsidiary, Liberty Holdco Ltd., for a forward contract concerning all 31,395,679 of the shares of Lyft, Inc. held by the Company and in return, obtained 714 million U.S. dollars in this financing. When the five-year contract matures, Liberty Holdco Ltd. can choose to settle the deal in either cash or shares of Lyft, Inc. The Company lent Liberty Holdco Ltd. the shares of Lyft, Inc. and accepted cash from Liberty Holdco Ltd. as a deposit receivable. In addition to the above financing, we have reduced risk associated with price fluctuations of our investments in the share of Lyft, Inc. by agreeing on a separate collar transaction that sets cap and floor.

As the share price of Lyft, Inc. has risen in the second quarter ended June 30, 2021 from the inception of the contract, the cap and floor of some notional principal amounts in the collar agreement have been revised and the terms of the contract have been changed to cover the risks of fluctuations in fair value of derivatives arising from the collar agreement.



As a result of the aforementioned series of transactions, during the year ended December 31, 2022, the liabilities associated with the financing using shares of Lyft, Inc. have been recognized as liabilities measured at amortized cost in the amount of ¥143,210 million (¥125,115 million for the year ended December 31, 2021) in other financial liabilities, and the derivatives associated with the collar agreement involving shares of Lyft, Inc. of ¥88,189 million in derivative assets (¥11,760 million in derivative liabilities for the year ended December 31, 2021).

Additionally, during the year ended December 31, 2022, the difference in fair value measurement of the derivatives associated with the collar agreement involving shares of Lyft, Inc. of ¥99,949 million (¥11,764 million for the year ended December 31, 2021), has been recognized in financial income, while the difference in fair value measurement of shares of Lyft, Inc. of ¥109,341 million (¥4,477 million for the year ended December 31, 2021), the amortized cost incurred from the liabilities associated with financing using shares of Lyft, Inc. of ¥953 million (¥686 million for the year ended December 31, 2021), and foreign exchange losses of ¥17,141 million (¥10,252 million for the year ended December 31, 2021) have been recognized in financial expenses.

27. Provisions

(1) Schedule of Changes in Provisions

(Millions of Yen)

	Provision for customer points	Others	Total
January 1, 2021	¥146,763	¥15,816	¥162,579
Increases during the period (provisions made)	176,434	11,031	187,465
Increases during the period (others)	141	775	916
Decreases during the period (provisions used)	(146,194)	(4,464)	(150,658)
Decreases during the period (others)	(1,520)	(9,308)	(10,828)
Changes in estimates (Note)	8,789	―	8,789
December 31, 2021	184,413	13,850	198,263
Increases during the period (provisions made)	223,481	11,067	234,548
Increases during the period (others)	39	6,137	6,176
Decreases during the period (provisions used)	(184,244)	(7,310)	(191,554)
Decreases during the period (others)	(135)	(4,389)	(4,524)
December 31, 2022	223,554	19,355	242,909

(Note) Changes in estimates for the fiscal year ended December 31, 2021 include expenses of ¥8,789 million associated with an increase in provision for customer points as a result of revisions in the Rakuten Point Terms of Use.

(2) Provision for Customer Points

The Group Companies operate point programs, including the Rakuten Points program, for the purpose of promoting members' transactions within the Group Companies, whereby members are granted points for their purchase of goods at Rakuten Ichiba shops, use of services such as Rakuten Travel, use of Rakuten Card, various membership registrations within the Group Companies and customer referrals. Members are able to exchange accumulated points for products and services, obtain discounts, or transfer their points to point programs of other companies. Points have an expiry date and once they expire a member forfeits the right to use them.

In anticipation of the future use of such points by members, the Group Companies recorded a provision for customer points at an estimated amount based on historical experiences. These are estimates and there is an inherent uncertainty regarding the extent of usage of such points by members.

(3) Other Provisions

Other provisions include asset retirement obligations and provision for loss on interest repayments.

These provisions are attributable to transactions in the ordinary course of business, and, are not individually significant.

28. Insurance Business Policy Reserves

(1) Breakdown and Changes in Policy Reserves for Insurance Business

The breakdown of policy reserves for insurance business is as follows:

(Millions of Yen)

	December 31, 2021	December 31, 2022
Reserve for outstanding claims	¥19,306	¥18,381
Liability reserves (Note)	228,605	182,164
Total policy reserves for insurance business	247,911	200,545

(Note) Under the funding method for Insurance liabilities reserves, reserve balances reflect the market interest rate. Insurance liability reserves are discounted by the amount of future cash flows which is determined using the market interest rate.

Changes in policy reserves for insurance business are as follows:

(Millions of Yen)

		Year ended December 31, 2021	Year ended December 31, 2022
Balance at the beginning of the year		¥285,336	¥247,911
Life insurance business			
	Insurance premium (net) (Note1)	20,885	23,230
	Insurance claims and other payments	(9,859)	(13,846)
	Market interest rate changes	(682)	(7,024)
	Other changes (Note 2)	(10,259)	(8,373)
General insurance business, etc.			
	Insurance revenue, etc.	42,131	48,156
	Elapsed policy period of insurance	(40,947)	(37,510)
	Insured events	22,926	23,582
	Insurance claims and other payments	(61,384)	(70,706)
	Market interest rate changes	(411)	(3,657)
	Other changes (Note 2)	175	(1,218)
Balance at the end of the year		247,911	200,545

(Notes) 1 The amount is calculated by deducting costs allocated to the operation of the insurance business from insurance revenue, etc.

2 The amount includes interest on liability reserves, mortality gain, etc.

Estimated timing of net cash outflows deriving from policy reserves at the end of the current fiscal year are as follows:

(Millions of Yen)

	Total	One year or less	Over one year to three years	Over three years to five years	Over five years
Life insurance business	¥19,754	¥3,702	¥644	¥614	¥14,794
General insurance business					
Before risk mitigation through reinsurance	180,791	47,682	36,550	40,894	55,665
After risk mitigation through reinsurance	134,308	42,076	32,795	35,654	23,783

(Note) Net cash outflow is calculated based on the remaining insurance period at the end of the current fiscal year.

(2) Breakdown and Changes in Policy Reserves (Reinsured Portion) for Insurance Business

The breakdown of policy reserves (reinsured portion) for insurance business is as follows:

(Millions of Yen)

	December 31, 2021	December 31, 2022
Reserve for outstanding claims	¥6,635	¥3,938
Liability reserves (Note)	47,626	42,545
Total policy reserves for insurance business	54,261	46,483

(Note) Under the funding method for Insurance liabilities reserves, reserve balances reflect the market interest rate. Insurance liability reserves are discounted by the amount of future cash flows which is determined using the market interest rate.

Changes in policy reserves (reinsured portion) for insurance business are as follows:

(Millions of Yen)

	Year ended December 31, 2021	Year ended December 31, 2022
Balance at the beginning of the year	¥56,332	¥54,261
General insurance business, etc.		
Insurance revenue, etc.	16,848	9,346
Elapsed policy period of insurance	(16,358)	(11,208)
Insured events	9,820	8,388
Insurance claims and other payments	(12,176)	(10,545)
Market interest rate changes	(205)	(2,615)
Other changes	—	(1,144)
Balance at the end of the year	54,261	46,483

(3) Gains and Losses Recognized in Net Income on Buying Reinsurance, and Deferred Amounts

Gains and losses recognized in net income on buying reinsurance, and deferred amounts are as follows:

(Millions of Yen)

	December 31, 2021	December 31, 2022
Reinsurance commission	¥644	¥616
Net reinsurance premium	(15,281)	(8,690)
Deferred reinsurance commission	265	293

(Note) Reinsurance commission, net insurance premium and deferred reinsurance commission are accounted for as operating expenses, operating income and intangible assets, respectively.

Changes in deferred gains and losses recognized in net income on buying reinsurance contracts are as follows:

(Millions of Yen)

	Year ended December 31, 2021	Year ended December 31, 2022
Balance at the beginning of the year	¥352	¥265
General insurance business		
Recognized during the current fiscal year	1,407	510
Amortized	(1,494)	(482)
Balance at the end of the year	265	293

(4) Changes in Deferred Acquisition Cost for Insurance Business

(Millions of Yen)

	Year ended December 31, 2021	Year ended December 31, 2022
Balance at the beginning of the year	¥10,220	¥10,277
Life insurance business		
Recognized during the current fiscal year	682	1,562
Amortized	(278)	(348)
General insurance business, etc.		
Recognized during the current fiscal year	3,960	3,135
Amortized	(4,307)	(3,517)
Other changes	—	(147)
Balance at the end of the year	10,277	10,962

(5) Liability Adequacy Test for Insurance Contracts

The Group Companies perform a liability adequacy test for insurance contracts taking into consideration estimated present value of cash inflows, such as related insurance premiums and investment income, and cash outflows, such as insurance claims and benefits and operating expenses. As a result of testing, the amount of the liability was considered to be adequate, and no additional recognition of liability and expense was recognized.

(6) Risk Management System Related to Insurance Contracts

For sound and appropriate insurance business operations, it is important to accurately comprehend and adequately manage increasingly diversified and complex risks. Therefore, a cross-organizational risk management framework was developed, and the role and process at departments responsible for risk management were clarified. The Group Companies ensure appropriate business operations by having all employees and officers fully understand the importance of risk management. Specifically, the Group Companies established a cross-organizational “Risk Management Committee,” and undertake the following overall risk management activities: appointing departments responsible for risk management according to the type of risk; developing a risk management framework; comprehending, analyzing and assessing risk status; and instructing operational departments.

1) Insurance Risk

Concerning the life insurance business, the Group Companies have identified and analyzed risks through regular monitoring of the frequency of insured events and surrender ratio. In developing new products, risk analysis is carried out in consideration of an appropriate balance with profitability.

Concerning the general insurance business, while monitoring loss ratio and cost ratio, the Group Companies control risks through portfolio management, active review and renewal of products, adopting stringent contract acceptance and establishing effective reinsurance scheme.

In arranging reinsurance, the Group Companies consider the certainty in recovery as the primary factor and select highly creditable insurance firms that meet certain standards as a reinsurance destination.

Under Japanese laws and regulations, insurance companies are required to calculate risks associated with payments of insurance claims and benefits and risks associated with asset management in preparation for the occurrence of various risks to which insurance companies are exposed on a scale beyond a normally predictable level. The amounts equivalent to risks before tax are as follows, which are recognized as representing the impact on the Consolidated Statement of Income in the event of occurrence of such risks. The confidence level of risk quantity is generally assumed to be 95%, with variance depending on the type of risk.

(Millions of Yen)

	December 31, 2021	December 31, 2022
Insurance risk impact amount	¥5,523	¥5,131
Third-sector insurance risk impact amount	1,217	1,414
Product crediting rate risk impact amount	536	451
Minimum guarantee risk impact amount	—	—
Investment risk impact amount	7,609	8,413
Business risk impact amount	406	412

a) Sensitivity to insurance risk

In life insurance business, policy reserves are recorded based on the estimated present value of all cash flows derived from insurance contracts by using the assumptions at the initial recognition. Material assumptions in life insurance business include discount rate (interest rate), mortality, morbidity, renewal ratio, operating cost and commissions. In the case where increases in mortality, morbidity, operating cost or commissions are expected, future net income and capital are expected to decrease through an increase in future cash out flows.

In general insurance business, in order to cover future liabilities associated with insurance contracts, policy reserves are recorded based on the assumptions at the initial recognition. Material assumptions in general insurance business include loss ratio, or cost ratio. In the case where increase in loss ratio is predicted, future net income and capital are expected to decrease through an increase in future cash out flows.

There were no changes in the aforementioned assumptions that may have significant impact on the Consolidated Financial Statements for the current fiscal year.

b) Concentrations of insurance risk

The Group Companies' insurance portfolio is well distributed geographically, thus is not exposed to excessive concentrations of insurance risk.

c) Actual claims compared with previous estimates (claims development)

Claims development in general insurance business is as follows:

(Millions of Yen)

		Year of contract				
		2018	2019	2020	2021	2022
Cumulative paid insurance and reserve for outstanding claims						
	At the end of the year of contract	¥905	¥794	¥703	¥531	¥403
	After one year	3,516	2,783	2,573	2,091	—
	After two years	4,334	3,425	3,317	—	—
	After three years	4,209	3,371	—	—	—
	After four years	4,102	—	—	—	—
Final loss estimation		4,102	3,371	3,317	2,091	403
Cumulative paid insurance		4,170	2,870	1,499	537	49
Reserve for outstanding claims		(68)	501	1,818	1,554	354

(Note) Above claims development shows cumulative paid insurance and reserve for outstanding claims of the compulsory automobile liability insurance contracts for which the interval between the accident and the insurance payment is expected to be long.

2) Liquidity risk

For the purpose of liquidity risk management, the Group Companies endeavor to manage cash flows adequately through collecting and analyzing information regarding new policy, cancellation and fund movement at maturity, and to be prepared to provide funds against potential catastrophic loss, while monitoring trading environment at all times to ensure smooth asset liquidation for raising funds when needed.

3) Market risk

Certain subsidiaries operating insurance business under the Group manage their market risks such as foreign exchange risk, interest rate risk and price fluctuation risk, by measuring and managing the risk quantity through stress testing by establishing specific maximum risk tolerance limits, while closely grasping the outstanding assets under management along with unrealized gain or loss.

Stress testing involves estimation of market risk exposure assuming that the market fluctuates beyond normal volatility.

29. Employee Benefits

The Group Companies mainly adopt the defined benefit system as their retirement benefit system.

The Group Companies have a defined-benefit retirement benefit plan consisting mainly of a lump sum severance payment plan. The Group Companies directly assume payment obligations to the beneficiaries rather having the plan externally funded. There are no legal requirements regarding the funding of the plan. Lump sum severance payments are made in accordance with the retirement benefits provisions of the rules of each company, including the Employment Regulations and on the basis of the employee's salaries, years of service and other factors.

(1) Amounts Recognized in the Consolidated Statement of Financial Position

Amounts recognized in the Consolidated Statement of Financial Position are as follows:

(Millions of Yen)

	December 31, 2021	December 31, 2022
Present value of defined benefit obligations	¥30,041	¥35,041
Fair value of plan assets	289	298
Net amount of employee retirement benefit liabilities recognized in Consolidated Statement of Financial Position	29,752	34,743

(2) Changes in Present Value of Defined Benefit Obligations
Details of the changes in present value of defined benefit obligations are as follows:

(Millions of Yen)

	December 31, 2021	December 31, 2022
Present value of defined benefit obligations (at beginning of period)	¥19,558	¥30,041
Service cost	9,176	8,792
Interest cost	92	148
Remeasurement of defined benefit obligations		
Actuarial gains and losses arising from changes in demographic assumptions	233	(332)
Actuarial gains and losses arising from changes in financial assumptions	462	(2,289)
Other revisions	1,141	118
Benefit paid	(596)	(1,498)
Others	(25)	61
Present value of defined benefit obligations (at end of period) (Note)	30,041	35,041

(Note) The weighted average duration of the defined benefit obligation for the fiscal years ended December 31, 2021 and 2022 was 10.6 years and 9.5 years, respectively.

(3) Actuarial Assumptions
Significant actuarial assumptions (weighted averages) are as follows:

	December 31, 2021	December 31, 2022
Discount rate	0.48%	1.07%

(4) Sensitivity Analysis

The sensitivity analysis of significant actuarial assumptions is as follows.

In the calculation of defined benefit obligations in the sensitivity analysis, the same method of calculation as that used to calculate the defined benefit obligations recognized in the Consolidated Statement of Financial Position was used. Sensitivity analysis is conducted on the reporting date based on changes in the relevant actuarial assumption that were reasonably possible at that date. Additionally, while the sensitivity analysis assumes that all actuarial assumption other than those subject to the sensitivity analysis will remain constant, in actual practice, there is a possibility that it may be affected by changes in other actuarial assumptions.

(Millions of Yen)

		December 31, 2021	December 31, 2022
Discount rate	In the case of 0.5% increase	¥(1,522)	¥(1,585)
	In the case of 0.5% decrease	1,658	1,715

30. Income Tax Expense

The deferred tax assets and liabilities include the following:

(Millions of Yen)

	December 31, 2021	December 31, 2022
Deferred tax assets		
Tax losses carried forward	¥190,739	¥220,968
Allowance for doubtful accounts	22,585	20,759
Provision for customer points	56,474	68,465
Others	50,488	80,887
Total	320,286	391,079
Deferred tax liabilities		
Intangible assets	(25,834)	(26,779)
Assets arising from contract costs	(26,254)	(28,577)
Others	(45,586)	(58,482)
Total	(97,674)	(113,838)
Net amount of deferred tax assets		
Deferred tax assets	225,100	281,950
Deferred tax liabilities	(2,488)	(4,709)
Net	222,612	277,241

In the years ended December 31, 2021 and 2022, the deferred tax assets recognized for tax losses carried forward were primarily those recognized by the Company’s subsidiary, Rakuten Mobile, Inc. Although Rakuten Mobile, Inc. launched voice calling and data transmission services on a full scale as an Mobile Network Operator (MNO) on April 8, 2020, it is expanding its own network ahead of schedule, which has resulted in tax losses carried forward due to an increase in depreciation and other operating expenses.

The Group Companies have adopted the consolidated taxation system in Japan, and plan to shift to the Japanese Group Relief System from January 1, 2023. Therefore, our accounting procedures are conducted on the assumption that the Japanese Group Relief System will be applied. The income of each company in the Japanese Group Relief System can be used to recover a portion of the tax losses carried forward, and the Group Companies are expected to earn taxable income in the future from voice calling and telecommunications services. Based on these assumptions, deferred tax assets were recognized within the scope of estimated future taxable income based on the business plans approved by management.

The deferred tax assets recognized for tax losses carried forward in companies outside the Japanese Group Relief System were also recognized within the scope of estimated future taxable income based on the business plans approved by management.

The changes in net deferred tax assets and liabilities were as follows:

For the year ended December 31, 2021

(Millions of Yen)

	January 1, 2021	Recognized in net income	Recognized in other comprehensive income	Changes in scope of consolidation	Others	December 31, 2021
Tax losses carried forward	¥95,472	¥92,621	¥2,646	¥—	¥—	¥190,739
Allowance for doubtful accounts	20,552	2,033	—	—	—	22,585
Provision for customer points	44,878	11,596	—	—	—	56,474
Intangible assets	(26,881)	3,192	(2,145)	—	—	(25,834)
Assets arising from contract costs	(24,199)	(2,055)	—	—	—	(26,254)
Others	14,461	(14,216)	1,956	1,024	1,677	4,902
Total	124,283	93,171	2,457	1,024	1,677	222,612

For the year ended December 31, 2022

(Millions of Yen)

	January 1, 2022	Recognized in net income	Recognized in other comprehensive income	Changes in scope of consolidation	Others	December 31, 2022
Tax losses carried forward	¥190,739	¥27,541	¥2,688	¥—	¥—	¥220,968
Allowance for doubtful accounts	22,585	(1,826)	—	—	—	20,759
Provision for customer points	56,474	11,991	—	—	—	68,465
Intangible assets	(25,834)	1,942	(2,887)	—	—	(26,779)
Assets arising from contract costs	(26,254)	(2,323)	—	—	—	(28,577)
Others	4,902	5,559	8,860	9	3,075	22,405
Total	222,612	42,884	8,661	9	3,075	277,241

The breakdown (tax basis) of deductible temporary differences, tax losses carried forward for which no deferred tax asset is recognized in the Consolidated Statement of Financial Position is as follows:

(Millions of Yen)

	December 31, 2021	December 31, 2022
Deductible temporary differences	¥69,435	¥172,809
Unused tax losses carried forward	120,363	211,417
Total	189,798	384,226

(Note) Deferred tax assets associated with the above are not recognized, as it is unlikely that future taxable income necessary for the Group Companies to utilize their benefits would be generated.

Tax losses carried forward for which no deferred tax asset is recognized in the Consolidated Statement of Financial Position, if unutilized, will expire as follows. There are no deductible temporary differences with an expiry date.

(Millions of Yen)

	December 31, 2021	December 31, 2022
One year or less	¥138	¥614
Over one year to five years	2,187	4,387
Over five years to 10 years	63,906	132,555
Over 10 years	54,132	73,861
Total	120,363	211,417

In addition to the above the total amount of temporary differences (income basis) relating to investments in subsidiaries, associates and joint ventures that are not recognized as deferred tax assets or deferred tax liabilities were as follows. There will be no significant impact on the Group Companies' tax payment, even if the retained earnings of the subsidiaries or associates are remitted to the Group Companies in the future.

(Millions of Yen)

	December 31, 2021	December 31, 2022
Deductible temporary differences	¥785,160	¥1,187,422
Taxable temporary differences	491,515	358,280

Breakdown of income tax expense recognized through net income is as follows:

(Millions of Yen)

	Year ended December 31, 2021	Year ended December 31, 2022
Current tax expense		
Income tax expense for net income	¥16,367	¥10,901
Subtotal	16,367	10,901
Deferred tax expense (Note 2)		
Generation and reversal of temporary difference	(550)	(15,343)
Changes in unused tax losses carried forward	(92,621)	(27,541)
Subtotal	(93,171)	(42,884)
Total income tax expense	(76,804)	(31,983)

(Notes) 1. The Company is mainly subject to income taxes, inhabitant tax and business tax treated as deductible expenses, and the statutory tax rate calculated based on these taxes was 30.6% for the previous fiscal year and the current fiscal year.

2. Deferred tax expense includes the deferred tax expense incurred as a result of the write-down of deferred tax assets and the reversal of write-downs recognized in prior years. Deferred tax expense as a result of the above was ¥(30,364) million and ¥4,005 million for the previous fiscal year and the current fiscal year, respectively.

Reconciliations between the statutory tax rates in Japan and effective tax rates on income tax expense presented in the Consolidated Statement of Income are as follows:

(%)

	Year ended December 31, 2021	Year ended December 31, 2022
Statutory tax rate in Japan	30.6	30.6
(Reconciliations)		
Permanent non-deductible items	(0.9)	(2.9)
Permanent non-taxable items	2.4	6.0
Effect due to recoverability of deferred tax assets	(11.7)	(32.1)
Differences due to statutory tax rate of subsidiaries (Note)	18.3	6.2
Effect of temporary differences associated with investments in subsidiaries, etc.	(3.3)	0.6
Share of income (loss) of associates and joint ventures	0.3	(0.2)
Gain (loss) on sale of shares of subsidiaries	—	(0.6)
Others	0.4	0.2
Effective tax rate on income tax expense	36.1	7.8

(Note) The difference is due to difference in the statutory tax rate of Japan, where the Company is resident, and that of the other jurisdictions where certain subsidiaries are resident.

31. Common Stock and Other Capital Items

(1) Common Stock

Schedule of shares authorized to be issued and total number of shares issued.

(Thousands of Shares)

	Number of authorized shares (Common stock with no par value)	Total number of shares issued (Common stock with no par value)
January 1, 2021	3,941,800	1,434,574
Changes during the period: Increase due to issuance of common stock	—	147,161
December 31, 2021	3,941,800	1,581,735
Changes during the period: Increase due to issuance of common stock	—	8,728
December 31, 2022	3,941,800	1,590,463

(2) Capital Surplus

The Companies Act of Japan (hereinafter the "Companies Act") requires that at least 50% of the proceeds of certain issues of common shares be credited to common stock, while the remainder of the proceeds be credited to capital reserve included in capital surplus. The Companies Act permits, upon approval at the General Shareholders' Meeting, the transfer of amounts from capital reserve to common stock.

(3) Other Equity Instruments

Year ended December 31, 2021

In the second quarter, the Company issued U.S. dollar-denominated non-call 5-year undated subordinated notes (with an interest deferral clause), Euro-denominated non-call 6-year undated subordinated notes (with an interest deferral clause), and U.S. dollar-denominated non-call 10-year undated subordinated notes (with an interest deferral clause; hereinafter collectively the "Bonds"), for the purpose of diversifying financing methods, expanding the investor base, and further enhancing its financial soundness.

The Bonds are classified as equity instruments under IFRS, due to the fact that they are offered with no fixed maturity thus redeemable at the Company's own discretion, and that interest payment is deferrable also at the Company's own discretion without involving payment obligation.

The payment of interests was completed on the interest payment date October 22, 2021, and retained earnings was reduced by ¥4,359 million as distribution to the owners of other equity instruments.

As of December 31, 2021, accrued interest amounted to ¥6,052 million, which was not yet to be recognized as distribution to the owners of other equity instruments due to undetermined payment schedule.

The Company entered into currency swap agreements involving U.S. dollar, Euro and JPY, with respect to the principal and interest of foreign currency denominated non-call undated subordinated notes. Gains or losses on derivatives arising from these currency swaps are deemed to increase by ¥2,110 million if JPY depreciates by 1% against the targeted currency, while it is deemed to decrease by ¥2,110 million if JPY appreciates by 1% against the targeted currency, based on the assumption that all risk variables other than the targeted risk variable remain constant. On the other hand, gains or losses on derivatives arising from these currency swaps are deemed to increase by ¥1,204 million if the reference JPY rate increases 10 basis points (0.1%), and to decrease by ¥1,213 million if the reference JPY rate decreases 10 basis points (0.1%), while they are deemed to decrease by ¥1,192 million if the reference foreign currency rate increases by 0.1%, and to increase by ¥1,202 million if the reference foreign currency rate decreases by 0.1%. These currency swaps are effective in fixing the amount of distribution to the owners of other equity instruments, as well as the amount of cash expenditure in the event of future redemption at the discretion of the Company.

Year ended December 31, 2022
The payment of interests of the Bonds was completed on the interest payment dates April 22, 2022 and October 22, 2022, and retained earnings was reduced by ¥15,127 million as distribution to the owners of other equity instruments.

As of December 31, 2022, accrued interest amounted to ¥6,652 million, which was not yet to be recognized as distribution to the owners of other equity instruments due to undetermined payment schedule.

The Company entered into currency swap agreements involving U.S. dollar, Euro and JPY, with respect to the principal and interest of foreign currency denominated non-call undated subordinated notes. Gains or losses on derivatives arising from these currency swaps are deemed to increase by ¥2,019 million if JPY depreciates by 1% against the targeted currency, while it is deemed to decrease by ¥2,019 million if JPY appreciates by 1% against the targeted currency, based on the assumption that all risk variables other than the targeted risk variable remain constant. On the other hand, gains or losses on derivatives arising from these currency swaps are deemed to increase by ¥961 million if the reference JPY rate increases 10 basis points (0.1%), and to decrease by ¥967 million if the reference JPY rate decreases 10 basis points (0.1%), while they are deemed to decrease by ¥929 million if the reference foreign currency rate increases by 0.1%, and to increase by ¥934 million if the reference foreign currency rate decreases by 0.1%. These currency swaps are effective in fixing the amount of distribution to the owners of other equity instruments, as well as the amount of cash expenditure in the event of future redemption at the discretion of the Company.

(4) Retained Earnings
The Companies Act requires that an amount equal to 10% of dividends of retained earnings be appropriated as capital reserve (within capital surplus) or as legal reserve (within retained earnings) until the aggregate amount of the capital reserve and the legal reserve equals to 25% of common stock. The legal reserve may be used to eliminate or reduce a deficit or be transferred to retained earnings upon approval at the General Shareholders' Meeting.

Retained earnings available for dividends under the Companies Act are based on the amount recorded in the Company's general accounting records prepared in accordance with JGAAP.

(5) Treasury Stock

Schedule of changes in treasury stock

(Thousands of Shares)

	Year ended December 31, 2021	Year ended December 31, 2022
January 1	72,073	0
Acquisition	0	0
Disposal	72,073	—
December 31	0	0

For the year ended December 31, 2021

Issuance of new shares and disposal of treasury stock through third-party allotment

With a view to raising funds for investment and loan funds to Rakuten Mobile, Inc., a subsidiary of the Company, the Company issued 139,737,600 new shares through a third-party allotment to Japan Post Holdings Co., Ltd., Mikitani Kosan, Inc., and Spirit Inc., and disposed of 71,918,900 shares of treasury stock through a third-party allotment to Image Frame Investment (HK) Limited, a wholly-owned subsidiary of Tencent Holdings Limited, and Walmart Inc. in the first quarter ended March 31, 2021, and related payments have been received.

As a result, in the fiscal year ended December 31, 2021, amounts of common stock and capital surplus increased by ¥80,000 million and ¥76,635 million, respectively, while treasury stock decreased by ¥84,759 million, amounting to an increase of ¥241,394 million in equity. Meanwhile, direct issuance costs (after tax effect) associated with the issuance of new shares of ¥953 million has been deducted from capital surplus.

Mikitani Kosan, Inc., and Spirit Inc. fall under related parties as they are controlled by Group Company executives, major (individual) shareholders and their close relatives.

For the year ended December 31, 2022

Not applicable.

32. Revenue

(1) The Breakdown of Revenue

1) Revenue Arising from Contracts with Customers and Other Sources

(Millions of Yen)

	Year ended December 31, 2021	Year ended December 31, 2022
Revenue arising from contracts with customers	¥1,365,327	¥1,595,626
Revenue arising from other sources	316,430	322,252
Total	1,681,757	1,927,878

(Note) Revenue arising from other sources includes interest and dividend income and other such income recognized in accordance with IFRS 9 and insurance revenues etc. recognized in accordance with IFRS 4.

2) Relationship between Breakdown of Revenue and Segment Revenue

For the year ended December 31, 2021

(Millions of Yen)

		Segment			
		Internet Services	FinTech	Mobile	Total
Main service lines	Rakuten Ichiba and Rakuten Travel	¥389,708	¥—	¥—	¥389,708
	Rakuten Rewards	96,036	—	—	96,036
	Rakuten 24	98,063	—	—	98,063
	Rakuten Books	58,099	—	—	58,099
	Rakuten Card	—	191,517	—	191,517
	Rakuten Bank	—	78,488	—	78,488
	Rakuten Securities	—	86,382	—	86,382
	Rakuten Mobile (Note 2)	—	—	136,077	136,077
	Rakuten Energy (Note 2)	—	—	39,001	39,001
	Others (Note 2, 3)	343,721	135,220	29,445	508,386
	Total	985,627	491,607	204,523	1,681,757
	Revenue arising from contracts with customers	985,627	175,177	204,523	1,365,327
	Revenue arising from other sources	—	316,430	—	316,430

(Notes) 1. Amounts are after eliminations of intercompany transactions.

2. For the fiscal year ended December 31, 2022, revenue of Rakuten Energy, formerly included in Rakuten Mobile and “Others” in the Mobile segment for the previous fiscal year, has been presented as a separate component due to its increased materiality. As a result, revenues of Rakuten Mobile and “Others,” which formerly amounted to ¥146,665 million and ¥57,858 million respectively for the previous fiscal year, have been presented separately as ¥136,077 million of Rakuten Mobile, ¥39,001 million of Rakuten Energy, and ¥29,445 million of “Others.”

3. With the steady progress in diverse businesses of the Group Companies, the monetary materiality of Rakuten General Insurance and Rakuten Life Insurance decreased

relatively for the fiscal year ended December 31, 2022. Accordingly, revenues of Rakuten General Insurance and Rakuten Life Insurance, which amounted to ¥43,446 million and ¥40,857 million respectively and were independently disclosed in the FinTech segment for the previous fiscal year, have been included in “Others”. The amount of “Others” for the previous fiscal year has been restated accordingly.

For the year ended December 31, 2022

(Millions of Yen)

		Segment			
		Internet Services	FinTech	Mobile	Total
Main service lines	Rakuten Ichiba and Rakuten Travel	¥441,619	¥—	¥—	¥441,619
	Rakuten Rewards	129,230	—	—	129,230
	Rakuten 24	100,160	—	—	100,160
	Rakuten Books	58,594	—	—	58,594
	Rakuten Card	—	196,405	—	196,405
	Rakuten Bank	—	92,682	—	92,682
	Rakuten Securities	—	83,291	—	83,291
	Rakuten Mobile	—	—	188,514	188,514
	Rakuten Energy	—	—	68,465	68,465
	Others	360,834	145,469	62,615	568,918
	Total	1,090,437	517,847	319,594	1,927,878
	Revenue arising from contracts with customers	1,090,437	185,595	319,594	1,595,626
	Revenue arising from other sources	—	332,252	—	332,252

(Note) Amounts are after eliminations of intercompany transactions.

Interest and dividend income and other such income are recorded as revenue in accordance with IFRS 9.

For the year ended December 31, 2021, Rakuten Card, Rakuten Bank and Rakuten Securities recorded revenue of ¥137,485 million, ¥50,875 million and ¥35,024 million, respectively, in accordance with IFRS 9. For the year ended December 31, 2022, Rakuten Card, Rakuten Bank and Rakuten Securities recorded revenue of ¥143,560 million, ¥65,153 million and ¥30,682 million, respectively, in accordance with IFRS 9.

The Group Companies together form a Global Innovation Company engaged in Internet Services, FinTech, and Mobile, operating in multiple businesses including its core EC business. Revenues arising from these businesses are recognized based on contracts with customers. There are no material revenues which are subject to variable consideration. In addition, the amount of promised consideration does not include significant financial elements.

Internet Services

With regard to the Internet Services segment, the Group Companies engage in EC businesses such as Rakuten Ichiba, Rakuten Travel, Rakuten Rewards, Rakuten 24, Rakuten Books, and a variety of other internet businesses. The primary revenues in the Internet Services segment are described below.

Rakuten Ichiba and Rakuten Travel
A fundamental characteristic of marketplace model EC services including Rakuten Ichiba and travel booking services such as Rakuten Travel is to provide EC platforms for trading to customers, and the Group Companies provide merchants and travel-related businesses with services including EC platform services, transaction related services, advertising related services to promote the expansion of sales through the Group Companies, and payment agency services related to settlements between merchants or travel-related businesses and consumers. The nature of the services and the related rights and obligations are stipulated in various agreements with customers. Performance obligations are identified based on whether services are distinct or not, and the pattern of transfer to the customer. Revenues from major performance obligations are recognized as described below.

With regard to EC platform services, the Group Companies have obligations to provide services for merchants to open and operate on our EC platform and related consulting services and other similar services for a contracted term. These services are provided over time, and so these performance obligations are satisfied as time passes. Accordingly, the revenue is recognized over the contracted term on a monthly basis based on the amount stipulated in the agreement for each type of shop. Furthermore, consideration for a transaction is received at the time of contract in the form of advance payment for the period of three months, six months or one year, prior to the satisfaction of performance obligations.

The Group Companies have obligations based on agreed terms to provide services to match merchants and travel-related businesses with Rakuten users, and to enable the resultant transactions to be processed appropriately. These performance obligations are satisfied when the individual transaction between merchants or travel-related businesses and Rakuten users is completed. Revenues are recognized at the point of satisfaction of these performance obligations, based on the gross amount of merchandise sales (monthly sales of merchants and travel-related businesses) of completed transactions multiplied by the specified ratio stipulated separately for each service, plan, or amount of gross merchandise sales. The related payments are receivable approximately within three months of the completion of the transaction.

With regard to advertising-related services, the Group Companies have obligations to provide fixed-term advertisements to customers. The advertising related services are provided by displaying the advertisement over the contracted term, and the progress of providing the service is measured based on the passage of time. Therefore, performance obligations are satisfied over the contract term, and revenues are recognized evenly over the contract term according to the amount stipulated in the agreement for each type of advertisement. Advertising fees are, in principle, received by the end of the second subsequent month after the month that includes the advertising commencement date.

With regard to payment agency services, based on credit card settlement agreements, the Group Companies have obligations to provide payment agency services between merchants and travel-related businesses and users of the Group Companies. These services are to process data for authorization, settlement and cancellation of credit card transactions, etc. Commission revenues arising from these transactions are primarily recognized based on the amount stipulated in the agreement when customers use their credit cards, because the performance obligations are satisfied at that point. Commissions are received within one month and a half after the invoice date set out for each payment category, following the satisfaction of performance obligations.

Rakuten Rewards
Rakuten Rewards provides various services such as services for promoting Rakuten Rewards members' purchase at the websites of the retailers (customers) through offering cash back to the Rakuten Rewards members (hereinafter "cash back service"), web advertising and targeting mail services for individual consumers. As for its core service, cash back service, Rakuten Rewards is contractually obligated to promote Rakuten Rewards members' purchase at the retailers' websites. Thus, such performance obligations are considered to be satisfied at the point of purchase by Rakuten Rewards members. Upon confirmation of the purchase by a Rakuten Rewards member, an amount calculated by multiplying the purchase amount by a certain rate is recorded as commission revenue, and cash back expense for the Rakuten Rewards member are recorded simultaneously as cost of sales. Revenue and expense arising from the provision of this service are recorded on a gross basis, as Rakuten Rewards has the right to enforce discretionary control of the customers and Rakuten Rewards members over the transactions including pricing. Payments of fees are received approximately within three months from the end of the month in which the order is completed and performance obligations are satisfied.

Rakuten Books, Rakuten 24
In the Internet Services segment, the Group Companies are the principal in the sales contracts for services including internet shopping sites Rakuten 24 and Rakuten Books where the Group Companies offer products to Rakuten users. In these direct selling services, revenue is recognized when goods are delivered to the customer. In addition, payments are received approximately within two months after the delivery of goods when performance obligations are satisfied. For Japanese book sales through Rakuten Books, revenues are recognized on a net basis after deducting costs of sales, because the role of the Group Companies in these transactions has the nature of an agent given the resale price maintenance system in Japan.

FinTech

With regard to the FinTech segment, the Group Companies engage in financial services businesses such as Rakuten Card, Rakuten Bank and Rakuten Securities, recognizing revenues primarily as follows.

Rakuten Card

With regard to Rakuten Card, the Group Companies engage in the credit card business, and receive interchange fees for settlement services between credit card users and member merchants as well as, revolving payment commissions, installment commissions, and commissions arising from cash advances. With regard to interchange fees, the performance obligation, which is the provision settlement services, is satisfied at the time of the sales data transfer from a member merchant to Rakuten Card Co., Ltd. as a result of a credit card purchase. Therefore, commission revenues which are at fixed rates of the settlement amounts are recognized at that point in time. In addition, basic points worth 1% of the settlement amounts are granted to the card members, and the expenses associated with the granting of these points are deducted from the interchange fees. As Rakuten Card Co., Ltd. collects credit card payments from the card members once a month, in principle, on a predetermined date, the payments are in substance received approximately within two months after the satisfaction of the performance obligations. For revolving payment commissions, installment commissions and commissions for cash advances, the respective commissions, which are multiplied at fixed rates based on the number of payment installments, etc. are recognized as a revenue over the period when the interest accrues in accordance with IFRS 9.

Rakuten Bank

With regard to Rakuten Bank, the Group Companies provide a wide range of services including internet banking (deposits, loans and foreign exchange) and other services. With regard to loans, the Group Companies handle loans such as personal loans, “Rakuten Bank Super Loans,” and housing loans, “Rakuten Bank home loans (flexible interest rate)”, and earn interest income thereon. Interest income is also earned from investing activities such as interest on securities. This income, such as loan interest and interest earned on securities is recognized over the period in accordance with IFRS 9. With regard to foreign exchange, commission revenue is recognized when the foreign exchange transactions are executed because the performance obligation is satisfied at the point of processing the transaction. Payment for commission revenue is received on the same date of the transactions.

Rakuten Securities

With regard to Rakuten Securities, the Group Companies engage in financial instruments transaction services and other associated services. Sources of revenue include commissions arising from these transactions, net trading gains, and interest, etc. There is a wide range of financial instruments transactions, including domestic stock transactions, foreign stock transactions, sales of investments, and the commission structure for each transaction differs. For brokerage transactions, margin transactions and sales of investments, performance obligations are satisfied when trades are completed on the trade date or other appropriate date, therefore revenues arising from brokerage transactions are recognized at that point in time. Commissions from spot transactions of shares are received within two business days in principle after the satisfaction of the performance obligations, while commissions from margin transactions and future transactions are received approximately within the period from six months to one year during which open contracts are settled. The Group Companies record net revenue based on fair value on foreign exchange margin transactions, and income received on open contracts of domestic margin transactions, in accordance with IFRS 9.

Mobile

With regard to the Mobile segment, the Group Companies engage in businesses such as Rakuten Mobile and Rakuten Energy, recognizing revenues primarily as follows.

Rakuten Mobile

Rakuten Mobile is an MNO (Mobile Network Operator) and an MVNO (Mobile Virtual Network Operator), and it is mainly engaged in the provision of voice calling and data transmission services (hereinafter “telephone and telecommunications services”) and sales of mobile handsets. For telephone and telecommunications services, maintaining utilizable telephone and telecommunications circuits for users at all times and providing the services using such circuits based on contracts are identified as performance obligations. For the handset sales, a delivery is identified as a performance obligation. When multiple services are provided in a single package, the consideration received from users is divided by the stand-alone selling price and allocated to each performance obligation. The performance obligation for maintaining utilizable telephone and telecommunications circuits is satisfied over the period, and the performance obligation for providing the telephone and telecommunications services is satisfied when the circuits are utilized. Therefore, revenues arising from providing the circuits are recognized over the contract term. For provision of telephone and telecommunications services, subscriber fees according to the actual usage of the circuits are recognized on a monthly basis. For the handset sales, the performance obligation is satisfied when a mobile handset is delivered to the user and the line is opened, and thus related revenues are recognized at that point. Payments for both performance obligations are received approximately within two months from the billing date.

Rakuten Energy

Rakuten Energy operates Rakuten Denki as an electricity retailer under the Electricity Business Act, and has performance obligations based on agreements to sell electricity to subscribers as customers. Such performance obligations are deemed to be satisfied when the procured electricity is supplied to the customers via General Electricity Transmission and Distribution Utility. Accordingly, electricity usage fees based on customers’ electricity usage are recognized as revenues for each month. The fees are calculated mainly by multiplying the amount of electricity used by the regional unit price set for each plan and invoiced to the subscribers on a monthly basis, and such payment is received approximately within two months of the invoiced date. Renewable energy generation promotion charge, which is collected from the customers and paid to the expense sharing coordinating body under the feed-in tariff system for renewable energy, is excluded from both net sales and cost of sales.

(2) Accounts arising from contracts

The breakdown of the balance of contracts of the Group Companies is as follows:

For the year ended December 31, 2021

(Millions of Yen)

	January 1, 2021	December 31, 2021
Receivables arising from contracts with customers (Note 1)		
Notes and accounts receivable — trade	¥243,886	¥307,820
Accounts receivable based on installment contracts, etc. (Note 2)	1,880,374	2,225,794
Other financial assets	332,222	351,006
Total	2,456,482	2,884,620
Contract liabilities (Note 3)	14,725	18,564

(Notes) 1. The amounts of impairment losses recognized for receivables arising from contracts with customers are accounts receivable of ¥1,454 million and loans for credit card business of ¥11,740 million.

2. This represents accounts receivable arising from the use of credit cards by customers based on installment contracts, etc., which are recorded under "Loans for credit card business" in the Consolidated Statement of Financial Position. Such accounts receivable include commissions received by the Group Companies.

3. Contract liabilities are recognized under "Other liabilities" in the Consolidated Statement of Financial Position.

Contract liabilities involve the receipt of consideration by the Group Companies prior to the fulfillment of performance obligations, and are reduced in line with the recognition of revenue as performance obligations are satisfied over the contract period.

Contract liabilities recognized by the Group Companies consist mainly of deferred revenues through EC platform services at Rakuten Ichiba, and deferred annual fee revenues from Rakuten Card holders.

Of the revenues recognized in the previous fiscal year, ¥12,334 million was included in the balance of contract liabilities as of January 1, 2021. In addition, the amount of revenues recognized during the previous fiscal year from the performance obligations satisfied (or partially satisfied) in the past periods was immaterial.

For the year ended December 31, 2022

(Millions of Yen)

	January 1, 2022	December 31, 2022
Receivables arising from contracts with customers (Note 1)		
Notes and accounts receivable — trade	¥307,820	¥364,186
Accounts receivable based on installment contracts, etc. (Note 2)	2,225,794	2,599,504
Other financial assets	351,006	146,051
Total	2,884,620	3,109,741
Contract liabilities (Note 3)	18,564	17,788

(Notes) 1. The amounts of impairment losses recognized for receivables arising from contracts with customers are accounts receivable of ¥2,027 million and loans for credit card business of ¥10,067 million.

2 This represents accounts receivable arising from the use of credit cards by customers based on installment contracts, etc., which are recorded under “Loans for credit card business” in the Consolidated Statement of Financial Position. Such accounts receivable include commissions received by the Group Companies.

3 Contract liabilities are recognized under “Other liabilities” in the Consolidated Statement of Financial Position.

Contract liabilities involve the receipt of consideration by the Group Companies prior to the fulfillment of performance obligations, and are reduced in line with the recognition of revenue as performance obligations are satisfied over the contract period.

Contract liabilities recognized by the Group Companies consist mainly of deferred revenues through EC platform services at Rakuten Ichiba, and deferred annual fee revenues from Rakuten Card holders.

Of the revenues recognized in the current fiscal year, ¥16,146 million was included in the balance of contract liabilities as of January 1, 2022. In addition, the amount of revenues recognized during the current fiscal year from the performance obligations satisfied (or partially satisfied) in the past periods was immaterial.

(3) Transaction Price Allocated to the Remaining Performance Obligations

The Group Companies retain no significant transactions for which an individual estimated contract period exceeds one year. In addition, consideration arising from contracts with customers do not comprise any significant amount that is not included in transaction price.

(4) Assets Recognized from the Costs to Obtain or Fulfill Contracts with Customers

(Millions of Yen)

	December 31, 2021	December 31, 2022
Assets recognized from costs to obtain a contract	¥74,943	¥86,577
Assets recognized from costs to fulfill a contract	18,625	22,290
Total	93,568	108,867

The Group Companies recognize the incremental costs of obtaining contracts with customers and the costs incurred in fulfilling contracts with customers that are directly associated with the contract as an asset (hereinafter, “assets arising from contract costs”) if those costs are expected to be recoverable, and record them in “Other assets” in the Consolidated Statement of Financial Position. Incremental costs of obtaining contracts are those costs that the Group Companies incur to obtain a contract with a customer that would not have been incurred if the contract had not been obtained.

Assets arising from contract costs at the Group Companies are recognized primarily at Rakuten Card and Rakuten Mobile, and are regularly reviewed for recoverability at the time of recognition and each quarter end.

Such accounting estimates and assumptions could have a significant impact on the amount of assets arising from contract costs recorded through the recognition of impairment losses when circumstances change. Therefore, the Group Companies consider that these accounting estimates and assumptions are significant.

Rakuten Card

Incremental costs of obtaining contracts recognized as assets are mainly initial costs incurred relating to the new memberships incurred when acquiring customers. Performance costs directly related to contracts consists mainly of costs to issue Rakuten Card. Such costs in Rakuten Card are incurred by the granting of Rakuten Points to new Rakuten Card holders and would not have been incurred unless the contracts had been entered into. These costs are recognized as an asset to the extent they are considered recoverable based on the estimated active card member ratio.

The related asset is amortized evenly over five to ten years based on the estimated contract terms, during which performance obligations are satisfied through the provision of settlement services following the members’ use of their Rakuten cards.

In assessing recoverability, the Group Companies consider whether the carrying amounts of such assets exceed the balance of the consideration which the Group Companies expect to be entitled to from the interchange for the relevant credit card related services over the estimated period of the contracts with the card members, less any unrecognized costs directly related to the provision of such services.

Rakuten Mobile

Incremental costs of obtaining contracts recognized as assets consist mainly of agency commissions and costs associated with affiliate programs. The costs incurred in fulfilling contracts directly associated with the contracts comprise costs to deliver mobile handsets/SIM cards and costs to set up internet connection. The agency commissions and the costs associated with affiliate programs in Rakuten Mobile are paid upon acquiring customers and would not have been incurred unless the contracts had been entered into.

The assets relating to the telephone and telecommunications services are amortized evenly over four to eleven years by estimating the service period consumed by a normal user in which the performance obligations are satisfied to provide services. When a telecommunications service and sales of a mobile handset are provided in a single package, the incremental costs to obtain a service contract is amortized at once after allocating to each performance obligation by stand-alone selling price, and the assets relating to sale of mobile handsets are amortized at once when a mobile handset is delivered to the user and the line is opened.

In assessing recoverability, the Group Companies consider whether the carrying amounts of such assets exceed the balance of the consideration which the Group Companies expect to be entitled to from the interchange for the relevant telephone and telecommunications services over the estimated period of the contracts with the users, less any unrecognized costs directly related to the provision of such services.

For the years ended December 31, 2021 and 2022, amortization associated with the assets arising from contract costs of the Group Companies was ¥18,921 million and ¥20,011 million, respectively.

33. Operating Expenses

The breakdown of operating expenses is as follows:

(Millions of Yen)

	Year ended December 31, 2021	Year ended December 31, 2022
Advertising and promotion expenditures	¥347,959	¥364,948
Employee benefits expenses	267,847	341,232
Depreciation and amortization	197,353	266,118
Communication and maintenance expenses	59,893	72,711
Consignment and subcontract expenses	133,488	175,500
Allowance for doubtful accounts charged to expenses	40,866	36,454
Cost of sales of merchandise and services rendered	669,372	716,778
Interest expenses for finance business	12,705	16,030
Commission fee expenses for finance business	17,008	23,297
Insurance claims and other payments, and provisions of insurance business policy reserves	49,306	47,518
Others	170,622	193,532
Total	1,966,419	2,254,118

Employee expenses (employee benefits expenses) are as follows:

(1) Breakdown of Employee Expenses

(Millions of Yen)

	Year ended December 31, 2021	Year ended December 31, 2022
Wages and salaries	¥218,931	¥272,483
Retirement benefits	17,553	21,415
Legal welfare expenses	13,641	22,106
Share option expenses relating to directors and employees (Note)	9,882	13,057
Other salaries	7,840	12,171
Total	267,847	341,232

(Note) Please refer to Note 40. Share-based Payments.

(2) Number of Employees

	December 31, 2021	December 31, 2022
Number of employees	28,261	32,079

(Note) The number of employees represents the number of persons employed at the Group Companies.

34. Other Income and Other Expenses

(1) Breakdown of Other Income

(Millions of Yen)

	Year ended December 31, 2021	Year ended December 31, 2022
Gains on sales of subsidiaries (Note 1)	¥40,969	¥—
Gains on valuation of investment securities (Note 2)	59,496	—
Others	7,572	8,383
Total	108,037	8,383

(Notes) 1. Valuation gains on investment securities related to investments in FinTech-related companies in the investment business of ¥27,827 million were recorded during the fiscal year ended December 31, 2021.

2. Gains on step acquisitions of ¥59,496 million were recorded as a result of making Altiostar Networks, Inc. a wholly-owned subsidiary of the Company during the fiscal year ended December 31, 2021.

(2) Breakdown of Other Expenses

(Millions of Yen)

	Year ended December 31, 2021	Year ended December 31, 2022
Foreign exchange losses	¥455	¥4,167
Losses on disposal of property, plant and equipment, and intangible assets	1,596	3,076
Losses on valuation of investment securities	—	9,391
Impairment losses	4,239	10,948
Others (Note)	11,811	18,453
Total	18,101	46,035

(Note) Losses on investments in the filmmaking business of ¥4,165 million were recorded for the fiscal year ended December 31, 2021.
Estimated expenses of ¥11,996 million related to fraudulent acts committed in collusion by former employees of a subsidiary and suppliers were recorded for the fiscal year ended December 31, 2022.

35. Financial Income and Financial Expenses

(1) Breakdown of Financial Income

(Millions of Yen)

	Year ended December 31, 2021	Year ended December 31, 2022
Gains on valuation of derivatives (Note)	¥16,650	¥114,890
Gains on valuation of investment securities	1,568	—
Others	686	542
Total	18,904	115,432

(Note) Gain on valuation of derivatives from the collar contract for the prepaid variable share forward transactions of shares of Lyft, Inc. of ¥11,764 million were recorded during the fiscal year ended December 31, 2021. Gains on valuation of derivatives from the collar contract for the prepaid variable share forward transactions of shares of Lyft, Inc. of ¥99,949 million and gains on valuation of derivatives from currency swaps related to foreign currency denominated permanent subordinated bonds of ¥14,940 million were recorded during the fiscal year ended December 31, 2022. Please refer to 31. Common Stock and Other Capital Items for foreign currency denominated permanent subordinated bonds.

(2) Breakdown of Financial Expenses

(Millions of Yen)

	Year ended December 31, 2021	Year ended December 31, 2022
Interest expenses (Note 1)	¥18,061	¥27,440
Losses on valuation of derivatives	333	169
Losses on valuation of investment securities (Note 2)	4,477	110,956
Foreign exchange losses (Note 3)	10,252	17,141
Others	5,519	1,180
Total	38,642	156,886

(Notes) 1. Interest expenses incurred from financial liabilities measured at amortized cost relating to financing under the prepaid variable share forward transactions of shares of Lyft, Inc. of ¥686 million and of ¥953 million were recorded during the fiscal year ended December 31, 2021 and the fiscal year ended December 31, 2022, respectively. For details, please refer to Note 26. Other Financial Liabilities.

2. Losses on valuation of investment securities related to an investment in Lyft, Inc. of ¥4,477 million and ¥109,341 million were recorded for the fiscal year ended December 31, 2021 and the fiscal year ended December 31, 2022, respectively.

3. Foreign exchange losses of ¥10,252 million and ¥17,141 million arising from liabilities relating to funds raised from the utilization of shares of Lyft, Inc. were recorded for the fiscal year ended December 31, 2021 and the fiscal year ended December 31, 2022, respectively.

36. Earnings per Share

Basic earnings per share are calculated by dividing the net income attributable to owners of the Company by the weighted average number of common stock outstanding during the year. The weighted average number of common stock outstanding during the year does not include treasury stock.

Diluted earnings per share are calculated on the assumption of full conversion of potentially dilutive common stock, adjusted for the weighted average number of common stock outstanding.

The Company has potential common stock related to share options. The number of shares that may be acquired through these share options is calculated at fair value (average share price of the Company during the period) based on the value of the share acquisition rights that would be granted to unexercised share options.

Per share information and the weighted average number of shares used in the calculation of earnings per share are as follows:

	Year ended December 31, 2021			Year ended December 31, 2022		
	Basic	Adjustments	Diluted	Basic	Adjustments	Diluted
Net loss attributable to owners of the Company (Millions of Yen)	¥(133,828)	¥－	¥(133,828)	¥(372,884)	¥ (251)	¥(373,135)
Weighted average number of shares (Thousands of shares)	1,527,425	－	1,527,425	1,586,752	－	1,586,752
Loss per share (Yen)	¥(87.62)	－	¥(87.62)	¥(235.00)	(0.16)	¥(235.16)

(Note) For the fiscal year ended December 31, 2021, share acquisition rights corresponding to 34,712 thousand shares have been excluded from the calculation of diluted loss per share, as they have reverse dilutive effects.For the fiscal year ended December 31, 2022, share acquisition rights corresponding to 29,734 thousand shares have been excluded from the calculation of diluted loss per share, as they have reverse dilutive effects.

37. Assets Pledged as Collateral and Assets Received as Collateral

(1) Assets Pledged as Collateral

The Group Companies pledge assets mainly to secure debts from borrowing contracts, e-money deposits, margin trading and security lending transactions conducted under normal terms and conditions, and as monetary deposits in derivative transactions.

The carrying amounts of assets pledged as collateral for liabilities and contingent liabilities by the Group Companies are as follows:

(Millions of Yen)

	December 31, 2021	December 31, 2022
Cash and cash equivalents	¥233,773	¥181,813
Loans for credit card business (Note 1)	48,913	90,042
Investment securities for banking business	86,645	639,007
Loans for banking business	1,144,326	1,310,577
Investment securities for insurance business	12,307	—
Investment securities (Note 2)	159,408	45,365
Buildings and accompanying facilities	4,191	4,084
Tools, furniture and fixtures	23,267	34,058
Machinery facilities	174,873	239,094
Other property, plant and equipment	10,654	14,279
Software	13,942	8,408
Other assets	8,040	—
Total	1,920,339	2,566,727

(Notes) 1. Loans for credit card business include securitized receivables.

2. Investment securities as of December 31, 2022 include Lyft shares of ¥143,210 million (¥125,115 million as of December 31, 2021), which Liberty pledged as collateral for other financial liabilities of ¥45,365 million (¥154,706 million as of December 31, 2021) incurred from the Prepaid Variable Share Forward Transactions of Shares of Lyft, Inc. For details of the transaction under the forward contract, please refer to Note 26. Other Financial Liabilities.

The carrying amounts of assets pledged as collateral by the Group Companies mainly for exchange settlements, derivative trading, and commitment lines, and those for margin transactions in the securities business and for issuing electronic money, are as follows:

(Millions of Yen)

	December 31, 2021	December 31, 2022
Investment securities for banking business	¥10,441	¥1,715
Investment securities for insurance business	138,199	102,186
Other financial assets	119,540	185,718
Guarantee deposits for margin transactions and future transactions in the securities business in the amount	132,933	136,716
Collateral for borrowing of share certificates in margin transactions in the securities business	54,411	64,092
Guarantee deposits for issuing electronic money	8,785	14,614
Total	464,309	505,041

(2) Assets Received as Collateral

The Group Companies receive securities pledged as collateral in lieu of guarantee deposits and collateral for other transactions, which are conducted under normal terms and conditions. The Group Companies hold the rights to sell or repledge the received assets, provided that the securities are returned at the time the relevant transactions are completed. The fair values of securities received by the Group Companies as collateral to which the Group Companies held the right to sell or repledge the collateral as of December 31, 2021 and 2022 were ¥1,197,539 million and ¥1,675,558 million, respectively. Within such collateral, fair values of the collateral actually sold or repledged as of December 31, 2021 and 2022 were ¥708,828 million and ¥1,078,533 million, respectively.

38. Hedge Accounting

(1) Fair Value Hedges

Risk of fair value fluctuation as a result of fluctuations in interest rates

In order to offset the risk of fair value fluctuation on certain fixed rate bonds as a result of fluctuations in interest rates, subsidiaries of the Group Companies have entered into fixed-for-floating interest rate swap contracts with financial institutions as fair value hedges. Accordingly, fluctuations in fair value of interest rates as the hedged item may be offset by the fluctuations in fair value of interest rate swaps as the hedging instrument. For the fair values of the interest rate swaps as hedging instruments, please refer to Note 12. Derivative Assets and Derivative Liabilities.

As transactions for fixed rate bonds as the hedged item and those for interest rate swaps as the hedging instrument are conducted for the same amount, the hedge ratio is 1:1. For the fair values of interest rate swaps as hedging instruments, please refer to Note 12. Derivative Assets and Derivative Liabilities.

Hedged items are as follows:

As of December 31, 2021

(Millions of Yen)

Hedged item	Presentation on the Consolidated Statement of Financial Position	Carrying amount	Change in fair value of the hedged item during the year	Cumulative adjustments of fair value hedge of the hedged item included in the hedge item’s carrying amount
Fixed rate bonds	Investment securities for banking business	¥4,308	¥(44)	¥8

As of December 31, 2022

Not applicable.

Risk of fluctuation of fair value of listed investment securities

The Group Companies' subsidiaries engage in fair value hedging through forward contracts in order to avoid the risk of fluctuation in fair values of their holding of listed investment securities that have initially chosen to recognize the fluctuation in fair values as other comprehensive income. The fluctuation in fair values related to forward contracts is also recognized as other comprehensive income. Thus, the fluctuation of fair value of listed investment securities as the hedged items may be offset by the fluctuation in fair values of the forward contracts as the hedging instrument. Please refer to Note 12. Derivative Assets and Derivative Liabilities for the fair values of forward contracts as the hedging instrument are stated.

As transactions for listed investment securities as the hedged item and those for forward contracts as the hedging instrument are conducted for the same amount, the hedge ratio is 1:1. Existing hedging relationships are expected to continue to the year ending December 31, 2023.

Hedged items are as follows:

As of December 31, 2021

(Millions of Yen)

Hedged item	Presentation on the Consolidated Statement of Financial Position	Carrying amount	Change in fair value of the hedged item during the year	Cumulative adjustments of fair value hedge of the hedged item included in the hedge item's carrying amount
Listed investment securities	Investment securities for insurance business	¥143,740	¥(6,356)	¥(775)

As of December 31, 2022

(Millions of Yen)

Hedged item	Presentation on the Consolidated Statement of Financial Position	Carrying amount	Change in fair value of the hedged item during the year	Cumulative adjustments of fair value hedge of the hedged item included in the hedge item's carrying amount
Listed investment securities	Investment securities for insurance business	¥106,464	¥(1,926)	¥(2,701)

(2) Cash Flow Hedges

Interest rate fluctuation risk

In order to offset the risk of fluctuations on future cash flows relating to the interest payment for floating-rate borrowings, the Group Companies have entered into fixed-for-floating interest rate swap contracts with financial institutions as cash flow hedges. As a result of these hedges, it becomes possible to fix the fluctuations of cash flows relating to the interest payment for floating-rate borrowings. Please refer to Note 12. Derivative Assets and Derivative Liabilities for the fair values of the interest rate swaps as hedging instruments are stated.

As transactions for floating-rate borrowings as the hedged item and those for interest rate swaps as the hedging instrument are conducted for the same amount, the hedge ratio is 1:1. Existing hedging relationships are expected to continue to the year ending December 31, 2027.

Schedule of changes in the amounts recognized in other comprehensive income

(Millions of Yen)

	Year ended December 31, 2021	Year ended December 31, 2022
January 1	¥(847)	¥(653)
Changes for the period	(184)	203
Reclassification to net income (Note)	378	409
December 31	(653)	(41)

(Note) The amounts reclassified to net income are included in “Operating expenses” in the Consolidated Statement of Income.

Exchange rate risk

In order to offset the cash flow fluctuation risk due to fluctuations of foreign exchange, subsidiaries of the Group have entered into forward exchange contracts with financial institutions as cash flow hedges. As a result of these hedges, it will become possible to fix the fluctuations in cash flows from fluctuations in foreign exchange. When designating hedging instruments, the currency basis spread of currency swaps is excluded as hedging costs. Please refer to Note 12. Derivative Assets and Derivative Liabilities for the fair values of the forward exchange contracts and currency swaps as hedging instruments are stated.

As transactions for foreign currency denominated monetary claims or liabilities as the hedged item and those for forward exchange contracts and currency swaps as the hedging instrument are conducted for the same amount, the hedge ratio is 1:1. Existing hedging relationships are expected to continue to the year ending December 31, 2025.

Schedule of changes in the amounts recognized in other comprehensive income

(Millions of Yen)

	Year ended December 31, 2021	Year ended December 31, 2022
January 1	¥1,785	¥395
Changes for the period	4,370	3,184
Reclassification to net income (Note)	(5,760)	(6,584)
December 31	395	3,005

(Note) The amounts reclassified to net income are included in “Revenue” and “Operating expenses” in the Consolidated Statement of Income.

39. Contingent Liabilities and Commitments

(1) Commitment Line Lending Contracts and Guarantee Obligations

Certain subsidiaries are engaged in consumer lending business through cash advances and credit card loans, which are related to the credit cards. With regard to such loans, of the amount established in a loan contract (the contracted limit), the contract allows customers to take out a loan at any time within the amount of credit limit approved by these subsidiaries (the loan limit).

Since some of these contracts expire without the actual loan being drawn, in addition to the Group Companies having discretion to increase or decrease the loan limit, the unused balance of these loans would not necessarily be drawn in its entirety.

Additionally, certain subsidiaries provide credit guarantees to general customers who have received loans from business partners of other subsidiaries.

Furthermore, the Rakuten Group provides credit guarantees for lease liabilities of some associates accounted for using the equity method.

The balances of the unused lending commitment lines and guarantee obligations given in the credit guarantee and other businesses stated above are as follows:

(Millions of Yen)

	December 31, 2021	December 31, 2022
Unused balance of lending commitment lines	¥4,837,896	¥5,276,582
Financial guarantee contracts	14,720	12,709
Total	4,852,616	5,289,291

(2) Commitment Line Borrowing Contracts

The Company and certain subsidiaries have entered into commitment line borrowing contracts with multiple financial institutions and the balances of the unused portions of such commitment lines available are as follows:

(Millions of Yen)

	December 31, 2021	December 31, 2022
Total commitment line borrowings	¥221,676	¥253,585
Amounts borrowed	8,130	7,785
Unused commitment lines	213,546	245,800

(3) Commitments (Contracts)

Commitments related to acquisition of property, plant and equipment and intangible assets were as follows:

(Millions of Yen)

	December 31, 2021	December 31, 2022
Commitments related to acquisition of property, plant and equipment and intangible assets	¥258,182	¥194,666

40. Share-based Payments

Employee expenses relating to share options recognized by the Group Companies during the years ended December 31, 2021 and 2022 were ¥9,882 million and ¥13,057 million, respectively.

The Group Companies have granted equity-settled share options to its executives and employees, its subsidiaries, and associates.

The Company performed a 100-for-one stock split on July 1, 2012. The balance of outstanding options for each year below has been adjusted to reflect the stock split. Details of the share options granted by the Company are as follows:

Name	Grant date	Vesting date	Exercise price (Yen)	Balance of outstanding options (Note)	Exercise period
The 10th Share Options_01	April 20, 2012	April 19, 2014	¥0.01	—	From April 20, 2014 to April 20, 2022
The 10th Share Options_02	April 20, 2012	April 19, 2015	0.01	—	From April 20, 2015 to April 20, 2022
The 10th Share Options_03	April 20, 2012	April 19, 2016	0.01	—	From April 20, 2016 to April 20, 2022
The 11th Share Options_01	July 1, 2012	March 29, 2016	0.01	—	From March 30, 2016 to March 28, 2022
The 12th Share Options_01	August 1, 2012	March 29, 2016	0.01	—	From March 30, 2016 to March 28, 2022
The 13th Share Options_01	August 20, 2012	March 29, 2016	0.01	—	From March 30, 2016 to March 28, 2022
The 14th Share Options_01	November 21, 2012	November 20, 2014	0.01	—	From November 21, 2014 to November 21, 2022
The 14th Share Options_02	November 21, 2012	November 20, 2015	0.01	—	From November 21, 2015 to November 21, 2022
The 14th Share Options_03	November 21, 2012	November 20, 2016	0.01	—	From November 21, 2016 to November 21, 2022
The 15th Share Options_01	February 1, 2013	March 29, 2016	0.01	—	From March 30, 2016 to March 28, 2022
The 16th Share Options_01	March 1, 2013	March 29, 2016	0.01	—	From March 30, 2016 to March 28, 2022
The 17th Share Options_01	March 1, 2013	March 29, 2016	0.01	—	From March 30, 2016 to March 28, 2022
The 18th Share Options_01	March 1, 2013	March 29, 2016	0.01	—	From March 30, 2016 to March 28, 2022
The 19th Share Options_01	July 1, 2013	March 28, 2017	0.01	78,200	From March 29, 2017 to March 27, 2023

Name	Grant date	Vesting date	Exercise price (Yen)	Balance of outstanding options (Note)	Exercise period
The 20th Share Options_01	December 1, 2013	March 28, 2017	0.01	—	From March 29, 2017 to March 27, 2023
The 21st Share Options_01	February 1, 2014	March 28, 2017	0.01	72,700	From March 29, 2017 to March 27, 2023
The 22nd Share Options_01	March 1, 2014	March 28, 2017	0.01	31,200	From March 29, 2017 to March 27, 2023
The 23rd Share Options_01	March 19, 2014	March 28, 2017	0.01	1,900	From March 29, 2017 to March 27, 2023
The 24th Share Options_01	May 1, 2014	March 28, 2018	0.01	5,000	From March 29, 2018 to March 27, 2024
The 25th Share Options_01	July 1, 2014	March 28, 2018	0.01	115,700	From March 29, 2018 to March 27, 2024
The 26th Share Options_01	September 1, 2014	March 28, 2018	0.01	—	From March 29, 2018 to March 27, 2024
The 27th Share Options_01	September 1, 2014	March 28, 2018	0.01	—	From March 29, 2018 to March 27, 2024
The 28th Share Options_01	October 1, 2014	March 28, 2018	0.01	—	From March 29, 2018 to March 27, 2024
The 29th Share Options_01	October 1, 2014	March 28, 2018	0.01	—	From March 29, 2018 to March 27, 2024
The 30th Share Options_01	November 1, 2014	March 28, 2018	0.01	87,200	From March 29, 2018 to March 27, 2024
The 31st Share Options_01	November 1, 2014	March 28, 2018	0.01	—	From March 29, 2018 to March 27, 2024
The 32nd Share Options_01	November 1, 2014	March 28, 2018	0.01	—	From March 29, 2018 to March 27, 2024
The 33rd Share Options_01	February 1, 2015	March 28, 2018	0.01	106,700	From March 29, 2018 to March 27, 2024
The 34th Share Options_01	March 1, 2015	March 28, 2018	0.01	—	From March 29, 2018 to March 27, 2024
The 35th Share Options_01	March 1, 2015	March 28, 2018	0.01	—	From March 29, 2018 to March 27, 2024
The 36th Share Options_01	March 1, 2015	March 28, 2018	0.01	51,900	From March 29, 2018 to March 27, 2024
The 37th Share Options_01	June 1, 2015	May 31, 2016	0.01	—	From June 1, 2016 to June 1, 2025

Name	Grant date	Vesting date	Exercise price (Yen)	Balance of outstanding options (Note)	Exercise period
The 37th Share Options_02	June 1, 2015	May 31, 2017	0.01	—	From June 1, 2017 to June 1, 2025
The 37th Share Options_03	June 1, 2015	May 31, 2018	0.01	—	From June 1, 2018 to June 1, 2025
The 37th Share Options_04	June 1, 2015	May 31, 2019	0.01	—	From June 1, 2019 to June 1, 2025
The 38th Share Options_01	July 1, 2015	June 30, 2016	0.01	—	From July 1, 2016 to July 1, 2025
The 38th Share Options_02	July 1, 2015	June 30, 2017	0.01	900	From July 1, 2017 to July 1, 2025
The 38th Share Options_03	July 1, 2015	June 30, 2018	0.01	—	From July 1, 2018 to July 1, 2025
The 38th Share Options_04	July 1, 2015	June 30, 2019	0.01	—	From July 1, 2019 to July 1, 2025
The 39th Share Options_01	August 1, 2015	July 31, 2016	0.01	1,000	From August 1, 2016 to August 1, 2025
The 39th Share Options_02	August 1, 2015	July 31, 2017	0.01	8,500	From August 1, 2017 to August 1, 2025
The 39th Share Options_03	August 1, 2015	July 31, 2018	0.01	35,200	From August 1, 2018 to August 1, 2025
The 39th Share Options_04	August 1, 2015	July 31, 2019	0.01	93,200	From August 1, 2019 to August 1, 2025
The 40th Share Options_01	August 1, 2015	March 27, 2019	0.01	100	From March 28, 2019 to March 26, 2025
The 41st Share Options_01	October 1, 2015	September 30, 2016	0.01	—	From October 1, 2016 to October 1, 2025
The 41st Share Options_02	October 1, 2015	September 30, 2017	0.01	—	From October 1, 2017 to October 1, 2025
The 41st Share Options_03	October 1, 2015	September 30, 2018	0.01	—	From October 1, 2018 to October 1, 2025
The 41st Share Options_04	October 1, 2015	September 30, 2019	0.01	—	From October 1, 2019 to October 1, 2025
The 42nd Share Options_01	November 1, 2015	October 31, 2016	0.01	500	From November 1, 2016 to October 31, 2025
The 42nd Share Options_02	November 1, 2015	October 31, 2017	0.01	2,100	From November 1, 2017 to October 31, 2025

Name	Grant date	Vesting date	Exercise price (Yen)	Balance of outstanding options (Note)	Exercise period
The 42nd Share Options_03	November 1, 2015	October 31, 2018	0.01	2,600	From November 1, 2018 to October 31, 2025
The 42nd Share Options_04	November 1, 2015	October 31, 2019	0.01	4,200	From November 1, 2019 to October 31, 2025
The 43rd Share Options_01	November 1, 2015	October 31, 2016	0.01	1,000	From November 1, 2016 to October 31, 2025
The 43rd Share Options_02	November 1, 2015	October 31, 2017	0.01	1,300	From November 1, 2017 to October 31, 2025
The 43rd Share Options_03	November 1, 2015	October 31, 2018	0.01	2,100	From November 1, 2018 to October 31, 2025
The 43rd Share Options_04	November 1, 2015	October 31, 2019	0.01	2,400	From November 1, 2019 to October 31, 2025
The 44th Share Options_01	February 1, 2016	January 31, 2017	0.01	9,000	From February 1, 2017 to January 30, 2026
The 44th Share Options_02	February 1, 2016	January 31, 2018	0.01	30,900	From February 1, 2018 to January 30, 2026
The 44th Share Options_03	February 1, 2016	January 31, 2019	0.01	70,800	From February 1, 2019 to January 30, 2026
The 44th Share Options_04	February 1, 2016	January 31, 2020	0.01	139,700	From February 1, 2020 to January 30, 2026
The 45th Share Options_01	February 1, 2016	March 27, 2019	0.01	300	From March 28, 2019 to March 26, 2025
The 46th Share Options_01	March 1, 2016	February 28, 2017	0.01	11,800	From March 1, 2017 to February 27, 2026
The 46th Share Options_02	March 1, 2016	February 28, 2018	0.01	16,200	From March 1, 2018 to February 27, 2026
The 46th Share Options_03	March 1, 2016	February 28, 2019	0.01	33,300	From March 1, 2019 to February 27, 2026
The 46th Share Options_04	March 1, 2016	February 29, 2020	0.01	40,800	From March 1, 2020 to February 27, 2026
The 47th Share Options_01	March 1, 2016	March 27, 2019	0.01	1,500	From March 28, 2019 to March 26, 2025
The 48th Share Options_01	March 1, 2016	March 27, 2019	0.01	1,500	From March 28, 2019 to March 26, 2025
The 49th Share Options_01	May 1, 2016	April 30, 2017	0.01	600	From May 1, 2017 to May 1, 2026

Name	Grant date	Vesting date	Exercise price (Yen)	Balance of outstanding options (Note)	Exercise period
The 49th Share Options_02	May 1, 2016	April 30, 2018	0.01	1,300	From May 1, 2018 to May 1, 2026
The 49th Share Options_03	May 1, 2016	April 30, 2019	0.01	1,600	From May 1, 2019 to May 1, 2026
The 49th Share Options_04	May 1, 2016	April 30, 2020	0.01	2,400	From May 1, 2020 to May 1, 2026
The 50th Share Options_01	August 1, 2016	July 31, 2017	0.01	2,200	From August 1, 2017 to July 31, 2026
The 50th Share Options_02	August 1, 2016	July 31, 2018	0.01	38,400	From August 1, 2018 to July 31, 2026
The 50th Share Options_03	August 1, 2016	July 31, 2019	0.01	78,500	From August 1, 2019 to July 31, 2026
The 50th Share Options_04	August 1, 2016	July 31, 2020	0.01	185,800	From August 1, 2020 to July 31, 2026
The 51st Share Options_01	September 1, 2016	March 30, 2020	0.01	900	From March 31, 2020 to March 29, 2026
The 52nd Share Options_01	November 1, 2016	October 31, 2017	0.01	300	From November 1, 2017 to October 30, 2026
The 52nd Share Options_02	November 1, 2016	October 31, 2018	0.01	1,000	From November 1, 2018 to October 30, 2026
The 52nd Share Options_03	November 1, 2016	October 31, 2019	0.01	2,700	From November 1, 2019 to October 30, 2026
The 52nd Share Options_04	November 1, 2016	October 31, 2020	0.01	2,700	From November 1, 2020 to October 30, 2026
The 53rd Share Options_01	November 1, 2016	October 31, 2017	0.01	—	From November 1, 2017 to October 30, 2026
The 53rd Share Options_02	November 1, 2016	October 31, 2018	0.01	—	From November 1, 2018 to October 30, 2026
The 53rd Share Options_03	November 1, 2016	October 31, 2019	0.01	—	From November 1, 2019 to October 30, 2026
The 53rd Share Options_04	November 1, 2016	October 31, 2020	0.01	1,300	From November 1, 2020 to October 30, 2026
The 54th Share Options_01	February 1, 2017	March 30, 2020	0.01	1,100	From March 31, 2020 to March 29, 2026
The 55th Share Options_01	February 1, 2017	January 31, 2018	0.01	4,500	From February 1, 2018 to February 1, 2027

Name	Grant date	Vesting date	Exercise price (Yen)	Balance of outstanding options (Note)	Exercise period
The 55th Share Options_02	February 1, 2017	January 31, 2019	0.01	42,100	From February 1, 2019 to February 1, 2027
The 55th Share Options_03	February 1, 2017	January 31, 2020	0.01	97,400	From February 1, 2020 to February 1, 2027
The 55th Share Options_04	February 1, 2017	January 31, 2021	0.01	204,800	From February 1, 2021 to February 1, 2027
The 56th Share Options_01	March 1, 2017	February 28, 2018	0.01	1,600	From March 1, 2018 to March 1, 2027
The 56th Share Options_02	March 1, 2017	February 28, 2019	0.01	3,000	From March 1, 2019 to March 1, 2027
The 56th Share Options_03	March 1, 2017	February 29, 2020	0.01	5,300	From March 1, 2020 to March 1, 2027
The 56th Share Options_04	March 1, 2017	February 28, 2021	0.01	8,000	From March 1, 2021 to March 1, 2027
The 57th Share Options_01	March 1, 2017	March 30, 2020	0.01	1,800	From March 31, 2020 to March 29, 2026
The 58th Share Options_01	March 1, 2017	March 30, 2020	0.01	1,800	From March 31, 2020 to March 29, 2026
The 59th Share Options_01	March 1, 2017	February 28, 2018	0.01	25,300	From March 1, 2018 to March 1, 2027
The 59th Share Options_02	March 1, 2017	February 28, 2019	0.01	56,100	From March 1, 2019 to March 1, 2027
The 59th Share Options_03	March 1, 2017	February 29, 2020	0.01	92,700	From March 1, 2020 to March 1, 2027
The 59th Share Options_04	March 1, 2017	February 28, 2021	0.01	170,700	From March 1, 2021 to March 1, 2027
The 60th Share Options_01	May 1, 2017	April 30, 2018	0.01	1,700	From May 1, 2018 to April 30, 2027
The 60th Share Options_02	May 1, 2017	April 30, 2019	0.01	2,800	From May 1, 2019 to April 30, 2027
The 60th Share Options_03	May 1, 2017	April 30, 2020	0.01	4,300	From May 1, 2020 to April 30, 2027
The 60th Share Options_04	May 1, 2017	April 30, 2021	0.01	5,300	From May 1, 2021 to April 30, 2027
The 61st Share Options_01	August 1, 2017	March 30, 2021	0.01	900	From March 31, 2021 to March 29, 2027

Name	Grant date	Vesting date	Exercise price (Yen)	Balance of outstanding options (Note)	Exercise period
The 62nd Share Options_01	August 1, 2017	July 31, 2018	0.01	5,200	From August 1, 2018 to July 30, 2027
The 62nd Share Options_02	August 1, 2017	July 31, 2019	0.01	36,500	From August 1, 2019 to July 30, 2027
The 62nd Share Options_03	August 1, 2017	July 31, 2020	0.01	107,100	From August 1, 2020 to July 30, 2027
The 62nd Share Options_04	August 1, 2017	July 31, 2021	0.01	222,200	From August 1, 2021 to July 30, 2027
The 63rd Share Options_01	November 1, 2017	October 31, 2018	0.01	900	From November 1, 2018 to November 1, 2027
The 63rd Share Options_02	November 1, 2017	October 31, 2019	0.01	5,100	From November 1, 2019 to November 1, 2027
The 63rd Share Options_03	November 1, 2017	October 31, 2020	0.01	2,600	From November 1, 2020 to November 1, 2027
The 63rd Share Options_04	November 1, 2017	October 31, 2021	0.01	6,800	From November 1, 2021 to November 1, 2027
The 64th Share Options_01	November 1, 2017	October 31, 2018	0.01	1,100	From November 1, 2018 to November 1, 2027
The 64th Share Options_02	November 1, 2017	October 31, 2019	0.01	1,900	From November 1, 2019 to November 1, 2027
The 64th Share Options_03	November 1, 2017	October 31, 2020	0.01	2,700	From November 1, 2020 to November 1, 2027
The 64th Share Options_04	November 1, 2017	October 31, 2021	0.01	4,700	From November 1, 2021 to November 1, 2027
The 65th Share Options_01	January 1, 2018	December 31, 2018	0.01	800	From January 1, 2019 to December 29, 2027
The 65th Share Options_02	January 1, 2018	December 31, 2019	0.01	1,400	From January 1, 2020 to December 29, 2027
The 65th Share Options_03	January 1, 2018	December 31, 2020	0.01	3,300	From January 1, 2021 to December 29, 2027
The 65th Share Options_04	January 1, 2018	December 31, 2021	0.01	10,800	From January 1, 2022 to December 29, 2027
The 66th Share Options_01	February 1, 2018	March 30, 2021	0.01	1,100	From March 31, 2021 to March 29, 2027
The 67th Share Options_01	February 1, 2018	January 31, 2019	0.01	7,000	From February 1, 2019 to February 1, 2028

Name	Grant date	Vesting date	Exercise price (Yen)	Balance of outstanding options (Note)	Exercise period
The 67th Share Options_02	February 1, 2018	January 31, 2020	0.01	80,600	From February 1, 2020 to February 1, 2028
The 67th Share Options_03	February 1, 2018	January 31, 2021	0.01	135,500	From February 1, 2021 to February 1, 2028
The 67th Share Options_04	February 1, 2018	January 31, 2022	0.01	321,500	From February 1, 2022 to February 1, 2028
The 68th Share Options_01	March 1, 2018	February 28, 2019	0.01	3,100	From March 1, 2019 to March 1, 2028
The 68th Share Options_02	March 1, 2018	February 29, 2020	0.01	6,500	From March 1, 2020 to March 1, 2028
The 68th Share Options_03	March 1, 2018	February 28, 2021	0.01	11,500	From March 1, 2021 to March 1, 2028
The 68th Share Options_04	March 1, 2018	February 28, 2022	0.01	23,500	From March 1, 2022 to March 1, 2028
The 69th Share Options_01	March 1, 2018	March 30, 2021	0.01	2,100	From March 31, 2021 to March 29, 2027
The 70th Share Options_01	March 1, 2018	March 30, 2021	0.01	4,200	From March 31, 2021 to March 29, 2027
The 71st Share Options_01	March 1, 2018	February 28, 2019	0.01	68,300	From March 1, 2019 to March 1, 2028
The 71st Share Options_02	March 1, 2018	February 29 2020	0.01	98,000	From March 1, 2020 to March 1, 2028
The 71st Share Options_03	March 1, 2018	February 28, 2021	0.01	222,500	From March 1, 2021 to March 1, 2028
The 71st Share Options_04	March 1, 2018	February 28, 2022	0.01	307,900	From March 1, 2022 to March 1, 2028
The 72nd Share Options_01	May 1, 2018	April 30, 2019	0.01	27,000	From May 1, 2019 to May 1, 2028
The 72nd Share Options_02	May 1, 2018	April 30, 2020	0.01	40,100	From May 1, 2020 to May 1, 2028
The 72nd Share Options_03	May 1, 2018	April 30, 2021	0.01	85,000	From May 1, 2021 to May 1, 2028
The 72nd Share Options_04	May 1, 2018	April 30, 2022	0.01	134,100	From May 1, 2022 to May 1, 2028

Name	Grant date	Vesting date	Exercise price (Yen)	Balance of outstanding options (Note)	Exercise period
The 73rd Share Options_01	August 1, 2018	July 31, 2019	0.01	21,100	From August 1, 2019 to August 1, 2028
The 73rd Share Options_02	August 1, 2018	July 31, 2020	0.01	199,400	From August 1, 2020 to August 1, 2028
The 73rd Share Options_03	August 1, 2018	July 31, 2021	0.01	180,100	From August 1, 2021 to August 1, 2028
The 73rd Share Options_04	August 1, 2018	July 31, 2022	0.01	589,000	From August 1, 2022 to August 1, 2028
The 74th Share Options_01	November 1, 2018	October 31, 2019	0.01	3,800	From November 1, 2019 to November 1, 2028
The 74th Share Options_02	November 1, 2018	October 31, 2020	0.01	4,600	From November 1, 2020 to November 1, 2028
The 74th Share Options_03	November 1, 2018	October 31, 2021	0.01	8,100	From November 1, 2021 to November 1, 2028
The 74th Share Options_04	November 1, 2018	October 31, 2022	0.01	23,200	From November 1, 2022 to November 1, 2028
The 75th Share Options_01	November 1, 2018	October 31, 2019	0.01	900	From November 1, 2019 to November 1, 2028
The 75th Share Options_02	November 1, 2018	October 31, 2020	0.01	1,200	From November 1, 2020 to November 1, 2028
The 75th Share Options_03	November 1, 2018	October 31, 2021	0.01	1,800	From November 1, 2021 to November 1, 2028
The 75th Share Options_04	November 1, 2018	October 31, 2022	0.01	14,700	From November 1, 2022 to November 1, 2028
The 76th Share Options_01	February 1, 2019	January 31, 2020	0.01	31,800	From February 1, 2020 to February 1, 2029
The 76th Share Options_02	February 1, 2019	January 31, 2021	0.01	258,000	From February 1, 2021 to February 1, 2029
The 76th Share Options_03	February 1, 2019	January 31, 2022	0.01	291,800	From February 1, 2022 to February 1, 2029
The 76th Share Options_04	February 1, 2019	January 31, 2023	0.01	1,403,100	From February 1, 2023 to February 1, 2029
The 77th Share Options_01	March 1, 2019	February 29, 2020	0.01	4,500	From March 1, 2020 to March 1, 2029

Name	Grant date	Vesting date	Exercise price (Yen)	Balance of outstanding options (Note)	Exercise period
The 77th Share Options_02	March 1, 2019	February 28, 2021	0.01	11,100	From March 1, 2021 to March 1, 2029
The 77th Share Options_03	March 1, 2019	February 28, 2022	0.01	24,400	From March 1, 2022 to March 1, 2029
The 77th Share Options_04	March 1, 2019	February 28, 2023	0.01	78,000	From March 1, 2023 to March 1, 2029
The 78th Share Options_01	March 1, 2019	February 29, 2020	0.01	—	From March 1, 2020 to March 1, 2029
The 78th Share Options_02	March 1, 2019	February 28, 2021	0.01	100	From March 1, 2021 to March 1, 2029
The 78th Share Options_03	March 1, 2019	February 28, 2022	0.01	3,300	From March 1, 2022 to March 1, 2029
The 78th Share Options_04	March 1, 2019	February 28, 2023	0.01	39,600	From March 1, 2023 to March 1, 2029
The 79th Share Options_01	May 1, 2019	April 30, 2020	0.01	14,800	From May 1, 2020 to May 1, 2029
The 79th Share Options_02	May 1, 2019	April 30, 2021	0.01	31,200	From May 1, 2021 to May 1, 2029
The 79th Share Options_03	May 1, 2019	April 30, 2022	0.01	77,700	From May 1, 2022 to May 1, 2029
The 79th Share Options_04	May 1, 2019	April 30, 2023	0.01	687,300	From May 1, 2023 to May 1, 2029
The 80th Share Options_01	May 1, 2019	April 30, 2020	0.01	3,600	From May 1, 2020 to May 1, 2029
The 80th Share Options_02	May 1, 2019	April 30, 2021	0.01	4,800	From May 1, 2021 to May 1, 2029
The 80th Share Options_03	May 1, 2019	April 30, 2022	0.01	23,400	From May 1, 2022 to May 1, 2029
The 80th Share Options_04	May 1, 2019	April 30, 2023	0.01	33,600	From May 1, 2023 to May 1, 2029
The 81st Share Options_01	May 1, 2019	October 31, 2019	0.01	835,000	From November 1, 2019 to May 1, 2059
The 82nd Share Options_01	August 1, 2019	July 31, 2020	0.01	11,200	From August 1, 2020 to August 1, 2029

Name	Grant date	Vesting date	Exercise price (Yen)	Balance of outstanding options (Note)	Exercise period
The 82nd Share Options_02	August 1, 2019	July 31, 2021	0.01	91,700	From August 1, 2021 to August 1, 2029
The 82nd Share Options_03	August 1, 2019	July 31, 2022	0.01	286,400	From August 1, 2022 to August 1, 2029
The 82nd Share Options_04	August 1, 2019	July 31, 2023	0.01	838,100	From August 1, 2023 to August 1, 2029
The 83rd Share Options_01	November 1, 2019	October 31, 2020	0.01	53,200	From November 1, 2020 to November 1, 2029
The 83rd Share Options_02	November 1, 2019	October 31, 2021	0.01	96,200	From November 1, 2021 to November 1, 2029
The 83rd Share Options_03	November 1, 2019	October 31, 2022	0.01	248,800	From November 1, 2022 to November 1, 2029
The 83rd Share Options_04	November 1, 2019	October 31, 2023	0.01	858,200	From November 1, 2023 to November 1, 2029
The 84th Share Options_01	November 1, 2019	October 31, 2020	0.01	7,200	From November 1, 2020 to November 1, 2029
The 84th Share Options_02	November 1, 2019	October 31, 2021	0.01	9,600	From November 1, 2021 to November 1, 2029
The 84th Share Options_03	November 1, 2019	October 31, 2022	0.01	19,200	From November 1, 2022 to November 1, 2029
The 84th Share Options_04	November 1, 2019	October 31, 2023	0.01	41,400	From November 1, 2023 to November 1, 2029
The 85th Share Options_01	February 1, 2020	January 31, 2021	0.01	35,700	From February 1, 2021 to February 1, 2030
The 85th Share Options_02	February 1, 2020	January 31, 2022	0.01	284,100	From February 1, 2022 to February 1, 2030
The 85th Share Options_03	February 1, 2020	January 31, 2023	0.01	648,700	From February 1, 2023 to February 1, 2030
The 85th Share Options_04	February 1, 2020	January 31, 2024	0.01	1,365,700	From February 1, 2024 to February 1, 2030
The 86th Share Options_01	March 1, 2020	February 28, 2021	0.01	15,000	From March 1, 2021 to March 1, 2030
The 86th Share Options_02	March 1, 2020	February 28, 2022	0.01	23,100	From March 1, 2022 to March 1, 2030

Name	Grant date	Vesting date	Exercise price (Yen)	Balance of outstanding options (Note)	Exercise period
The 86th Share Options_03	March 1, 2020	February 28, 2023	0.01	95,200	From March 1, 2023 to March 1, 2030
The 86th Share Options_04	March 1, 2020	February 29, 2024	0.01	111,500	From March 1, 2024 to March 1, 2030
The 87th Share Options_01	March 1, 2020	March 1, 2020	0.01	734,200	From March 1, 2020 to March 1, 2060
The 88th Share Options_01	May 1, 2020	April 30, 2021	0.01	90,700	From May 1, 2021 to May 1, 2030
The 88h Share Options_02	May 1, 2020	April 30, 2022	0.01	179,100	From May 1, 2022 to May 1, 2030
The 88h Share Options_03	May 1, 2020	April 30, 2023	0.01	1,179,700	From May 1, 2023 to May 1, 2030
The 88th Share Options_04	May 1, 2020	April 30, 2024	0.01	1,376,500	From May 1, 2024 to May 1, 2030
The 89th Share Options_01	May 1, 2020	May 1, 2020	0.01	173,100	From May 1, 2020 to May 1, 2060
The 90th Share Options_01	August 1, 2020	July 31, 2021	0.01	26,000	From August 1, 2021 to August 1, 2030
The 90th Share Options_02	August 1, 2020	July 31, 2022	0.01	357,600	From August 1, 2022 to August 1, 2030
The 90th Share Options_03	August 1, 2020	July 31, 2023	0.01	662,400	From August 1, 2023 to August 1, 2030
The 90th Share Options_04	August 1, 2020	July 31, 2024	0.01	1,447,200	From August 1, 2024 to August 1, 2030
The 91st Share Options_01	November 1, 2020	October 31, 2021	0.01	25,600	From November 1, 2021 to November 1, 2030
The 91st Share Options_02	November 1, 2020	October 31, 2022	0.01	48,400	From November 1, 2022 to November 1, 2030
The 91st Share Options_03	November 1, 2020	October 31, 2023	0.01	114,700	From November 1, 2023 to November 1, 2030
The 91st Share Options_04	November 1, 2020	October 31, 2024	0.01	139,200	From November 1, 2024 to November 1, 2030
The 92nd Share Options_01	November 1, 2020	October 31, 2021	0.01	23,700	From November 1, 2021 to November 1, 2030

Name	Grant date	Vesting date	Exercise price (Yen)	Balance of outstanding options (Note)	Exercise period
The 92nd Share Options_02	November 1, 2020	October 31, 2022	0.01	42,600	From November 1, 2022 to November 1, 2030
The 92nd Share Options_03	November 1, 2020	October 31, 2023	0.01	81,900	From November 1, 2023 to November 1, 2030
The 92nd Share Options_04	November 1, 2020	October 31, 2024	0.01	95,700	From November 1, 2024 to November 1, 2030
The 93rd Share Options_01	February 1, 2021	January 31, 2022	0.01	51,500	From February 1, 2022 to February 1, 2031
The 93rd Share Options_02	February 1, 2021	January 31, 2023	0.01	584,700	From February 1, 2023 to February 1, 2031
The 93rd Share Options_03	February 1, 2021	January 31, 2024	0.01	807,100	From February 1, 2024 to February 1, 2031
The 93rd Share Options_04	February 1, 2021	January 31, 2025	0.01	1,700,900	From February 1, 2025 to February 1, 2031
The 94th Share Options_01	March 1, 2021	February 28, 2022	0.01	17,500	From March 1, 2022 to March 1, 2031
The 94th Share Options_02	March 1, 2021	February 28, 2023	0.01	74,600	From March 1, 2023 to March 1, 2031
The 94th Share Options_03	March 1, 2021	February 29, 2024	0.01	110,400	From March 1, 2024 to March 1, 2031
The 94th Share Options_04	March 1, 2021	February 28, 2025	0.01	135,200	From March 1, 2025 to March 1, 2031
The 95th Share Options_01	March 1, 2021	March 1, 2021	0.01	621,600	From March 1, 2021 to March 1, 2061
The 96th Share Options_01	May 1, 2021	April 30, 2022	0.01	197,600	From May 1, 2022 to May 1, 2031
The 96th Share Options_02	May 1, 2021	April 30, 2023	0.01	975,800	From May 1, 2023 to May 1, 2031
The 96th Share Options_03	May 1, 2021	April 30, 2024	0.01	1,488,200	From May 1, 2024 to May 1, 2031
The 96th Share Options_04	May 1, 2021	April 30, 2025	0.01	1,824,300	From May 1, 2025 to May 1, 2031
The 97th Share Options_01	May 1, 2021	May 1, 2021	0.01	204,800	From May 1, 2021 to May 1, 2061

Name	Grant date	Vesting date	Exercise price (Yen)	Balance of outstanding options (Note)	Exercise period
The 98th Share Options_01	August 1, 2021	July 31, 2022	0.01	55,600	From August 1, 2022 to August 1, 2031
The 98th Share Options_02	August 1, 2021	July 31, 2023	0.01	344,300	From August 1, 2023 to August 1, 2031
The 98th Share Options_03	August 1, 2021	July 31, 2024	0.01	812,000	From August 1, 2024 to August 1, 2031
The 98th Share Options_04	August 1, 2021	July 31, 2025	0.01	1,499,400	From August 1, 2025 to August 1, 2031
The 99th Share Options_01	November 1, 2021	October 31, 2022	0.01	168,800	From November 1, 2022 to November 1, 2031
The 99th Share Options_02	November 1, 2021	October 31, 2023	0.01	280,900	From November 1, 2023 to November 1, 2031
The 99th Share Options_03	November 1, 2021	October 31, 2024	0.01	426,200	From November 1, 2024 to November 1, 2031
The 99th Share Options_04	November 1, 2021	October 31, 2025	0.01	534,500	From November 1, 2025 to November 1, 2031
The 100th Share Options_01	November 1, 2021	October 31, 2022	0.01	34,000	From November 1, 2022 to November 1, 2031
The 100th Share Options_02	November 1, 2021	October 31, 2023	0.01	58,700	From November 1, 2023 to November 1, 2031
The 100th Share Options_03	November 1, 2021	October 31, 2024	0.01	88,100	From November 1, 2024 to November 1, 2031
The 100th Share Options_04	November 1, 2021	October 31, 2025	0.01	103,800	From November 1, 2025 to November 1, 2031
The 101st Share Options_01	February 1, 2022	January 31, 2023	0.01	179,200	From February 1, 2023 to February 1, 2032
The 101st Share Options_02	February 1, 2022	January 31, 2024	0.01	629,000	From February 1, 2024 to February 1, 2032
The 101st Share Options_03	February 1, 2022	January 31, 2025	0.01	1,168,700	From February 1, 2025 to February 1, 2032
The 101st Share Options_04	February 1, 2022	January 31, 2026	0.01	2,121,700	From February 1, 2026 to February 1, 2032

The 102nd Share Options_01	February 1, 2022	January 31, 2023	0.01	14,400	From February 1, 2023 to February 1, 2032
The 102nd Share Options_02	February 1, 2022	January 31, 2024	0.01	20,500	From February 1, 2024 to February 1, 2032
The 102nd Share Options_03	February 1, 2022	January 31, 2025	0.01	30,800	From February 1, 2025 to February 1, 2032
The 102nd Share Options_04	February 1, 2022	January 31, 2026	0.01	36,600	From February 1, 2026 to February 1, 2032
The 103rd Share Options_01	March 1, 2022	February 28, 2023	0.01	46,800	From March 1, 2023 to March 1, 2032
The 103rd Share Options_02	March 1, 2022	February 29, 2024	0.01	66,300	From March 1, 2024 to March 1, 2032
The 103rd Share Options_03	March 1, 2022	February 28, 2025	0.01	100,100	From March 1, 2025 to March 1, 2032
The 103rd Share Options_04	March 1, 2022	February 28, 2026	0.01	119,800	From March 1, 2026 to March 1, 2032
The 104th Share Options_01	March 1, 2022	March 1, 2022	0.01	565,800	From March 1, 2022 to March 1, 2062
The 105th Share Options_01	May 1, 2022	April 30, 2023	0.01	1,322,100	From May 1, 2023 to May 1, 2032
The 105th Share Options_02	May 1, 2022	April 30, 2024	0.01	1,882,900	From May 1, 2024 to May 1, 2032
The 105th Share Options_03	May 1, 2022	April 30, 2025	0.01	2,843,700	From May 1, 2025 to May 1, 2032
The 105th Share Options_04	May 1, 2022	April 30, 2026	0.01	3,445,400	From May 1, 20266 to May 1, 2032
The 106th Share Options_01	May 1, 2022	May 1, 2022	0.01	250,700	From May 1, 2022 to May 1, 2062
The 107th Share Options_01	August 1, 2022	July 31, 2023	0.01	301,700	From August 1, 2023 to August 1, 2032
The 107th Share Options_02	August 1, 2022	July 31, 2024	0.01	1,530,400	From August 1, 2024 to August 1, 2032
The 107th Share Options_03	August 1, 2022	July 31, 2025	0.01	1,513,900	From August 1, 2025 to August 1, 2032
The 107th Share Options_04	August 1, 2022	July 31, 2026	0.01	3,217,400	From August 1, 2026 to August 1, 2032

The 108th Share Options_01	August 1, 2022	July 31, 2023	0.01	6,500	From August 1, 2023 to August 1, 2032
The 108th Share Options_02	August 1, 2022	July 31, 2024	0.01	9,500	From August 1, 2024 to August 1, 2032
The 108th Share Options_03	August 1, 2022	July 31, 2025	0.01	14,100	From August 1, 2025 to August 1, 2032
The 108th Share Options_04	August 1, 2022	July 31, 2026	0.01	17,200	From August 1, 2026 to August 1, 2032
The 109th Share Options_01	November 1, 2022	October 31, 2023	0.01	771,800	From November 1, 2023 to November 1, 2032
The 109th Share Options_02	November 1, 2022	October 31, 2024	0.01	999,200	From November 1, 2024 to November 1, 2032
The 109th Share Options_03	November 1, 2022	October 31, 2025	0.01	1,526,800	From November 1, 2025 to November 1, 2032
The 109th Share Options_04	November 1, 2022	October 31, 2026	0.01	1,865,900	From November 1, 2026 to November 1, 2032
The 110th Share Options_01	November 1, 2022	October 31, 2023	0.01	35,200	From November 1, 2023 to November 1, 2032
The 110th Share Options_02	November 1, 2022	October 31, 2024	0.01	50,200	From November 1, 2024 to November 1, 2032
The 110th Share Options_03	November 1, 2022	October 31, 2025	0.01	82,800	From November 1, 2025 to November 1, 2032
The 110th Share Options_04	November 1, 2022	October 31, 2026	0.01	99,200	From November 1, 2026 to November 1, 2032

(Note) The balance of outstanding options has been converted into the number of shares.

The number of options and the weighted average exercise price related to share options granted by the Company are as follows:

	Year ended December 31, 2021		Year ended December 31, 2022	
	Number of options (Note)	Weighted average exercise price (Yen)	Number of options (Note)	Weighted average exercise price (Yen)
Balance at the beginning of the year	44,167,000	¥0.01	46,870,500	¥0.01
Granted	17,887,400	0.01	28,945,200	0.01
Forfeited	7,606,100	0.01	6,050,200	0.01
Exercised	7,577,800	0.01	8,727,900	0.01
Expired	—	—	62,400	0.01
Outstanding balance at the end of the year	46,870,500	0.01	60,975,200	0.01
Exercisable amount at the end of the year	10,183,300	0.01	11,818,600	0.01
Weighted average remaining contract years		10.10 years		9.89 years

(Note) The number of options has been converted into the number of shares.

The weighted average share prices of the Company as of the exercise date were ¥1,243 and ¥825 for the years ended December 31, 2021 and 2022, respectively.

The expiration dates and the exercise prices of the outstanding options related to share options granted by the Company are as follows:

	December 31, 2021		December 31, 2022	
	Exercise price (Yen)	Number of options (Note)	Exercise price (Yen)	Number of options (Note)
2022	¥0.01	235,300	¥—	—
2023	0.01	288,600	0.01	184,000
2024	0.01	474,000	0.01	366,500
2025	0.01	214,500	0.01	158,400
2026	0.01	983,000	0.01	676,900
2027	0.01	1,684,700	0.01	1,147,000
2028	0.01	5,231,800	0.01	2,620,000
2029	0.01	8,390,700	0.01	5,583,300
2030	0.01	10,991,000	0.01	8,470,000
2031	0.01	15,107,900	0.01	12,374,100
2032	—	—	0.01	26,009,800
2059	0.01	1,068,100	0.01	835,000
2060	0.01	1,139,500	0.01	907,300
2061	0.01	1,061,400	0.01	826,400
2062	—	—	0.01	816,500
Balance at end of the period	—	46,870,500	—	60,975,200

(Note) The number of options has been converted into the number of shares.

The Company granted equity-settled share options to executives and employees of the company, its subsidiaries, and associates during the year ended December 31, 2022. The fair value of the options granted has been calculated using the Black-Scholes model adjusted for dividends. The fair value and assumptions used in the calculation are as follows.

Expected volatility of the Company has been calculated as an annual rate based on the historical period of share prices corresponding to the expected remaining period and weekly data (weekly closing price versus volatility of the previous week), assuming 52 weeks in a year.

	December 31, 2022		
	The Company 2022 101st Share Options_01	The Company 2022 101st Share Options_02	The Company 2022 101st Share Options_03
Weighted average share prices (Yen)	¥975	¥975	¥975
Exercise price (Yen)	¥0.01	¥0.01	¥0.01
Expected volatility (%)	41.51	46.28	41.06
Remaining term (Years)	1.00	2.00	3.01
Expected dividend (Yen)	¥4.50	¥4.50	¥4.50
Risk-free rate (%)	(0.08)	(0.05)	(0.05)
Fair value per share (Yen)	¥970	¥966	¥962

	December 31, 2022		
	The Company 2022 101st Share Options_04	The Company 2022 102nd Share Options_01	The Company 2022 102nd Share Options_02
Weighted average share prices (Yen)	¥975	¥975	¥975
Exercise price (Yen)	¥0.01	¥0.01	¥0.01
Expected volatility (%)	39.68	41.51	46.28
Remaining term (Years)	4.01	1.00	2.00
Expected dividend (Yen)	¥4.50	¥4.50	¥4.50
Risk-free rate (%)	(0.03)	(0.08)	(0.05)
Fair value per share (Yen)	¥957	¥970	¥966

	December 31, 2022		
	The Company 2022 102nd Share Options_03	The Company 2022 102nd Share Options_04	The Company 2022 103rd Share Options_01
Weighted average share prices (Yen)	¥975	¥975	¥986
Exercise price (Yen)	¥0.01	¥0.01	¥0.01
Expected volatility (%)	41.06	39.68	40.05
Remaining term (Years)	3.01	4.01	1.00
Expected dividend (Yen)	¥4.50	¥4.50	¥4.50
Risk-free rate (%)	(0.05)	(0.03)	(0.07)
Fair value per share (Yen)	¥962	¥957	¥981

	December 31, 2022		
	The Company 2022 103rd Share Options_02	The Company 2022 103rd Share Options_03	The Company 2022 103rd Share Options_04
Weighted average share prices (Yen)	¥986	¥986	¥986
Exercise price (Yen)	¥0.01	¥0.01	¥0.01
Expected volatility (%)	45.24	40.81	39.53
Remaining term (Years)	2.01	3.01	4.01
Expected dividend (Yen)	¥4.50	¥4.50	¥4.50
Risk-free rate (%)	(0.03)	(0.02)	(0.01)
Fair value per share (Yen)	¥977	¥973	¥968

	December 31, 2022		
	The Company 2022 104th Share Options_01	The Company 2022 105th Share Options_01	The Company 2022 105th Share Options_02
Weighted average share prices (Yen)	¥986	¥918	¥918
Exercise price (Yen)	¥0.01	¥0.01	¥0.01
Expected volatility (%)	37.09	33.52	38.45
Remaining term (Years)	6.10	1.00	2.01
Expected dividend (Yen)	¥4.50	¥4.50	¥4.50
Risk-free rate (%)	0.02	(0.09)	(0.06)
Fair value per share (Yen)	¥959	¥913	¥909

	December 31, 2022		
	The Company 2022 105th Share Options_03	The Company 2022 105th Share Options_04	The Company 2022 106th Share Options_01
Weighted average share prices (Yen)	¥918	¥918	¥918
Exercise price (Yen)	¥0.01	¥0.01	¥0.01
Expected volatility (%)	40.11	39.38	36.95
Remaining term (Years)	3.01	4.01	6.30
Expected dividend (Yen)	¥4.50	¥4.50	¥4.50
Risk-free rate (%)	(0.05)	(0.02)	0.06
Fair value per share (Yen)	¥905	¥900	¥890

	December 31, 2022		
	The Company 2022 107th Share Options_01	The Company 2022 107th Share Options_02	The Company 2022 107th Share Options_03
Weighted average share prices (Yen)	¥672	¥672	¥672
Exercise price (Yen)	¥0.01	¥0.01	¥0.01
Expected volatility (%)	36.85	40.78	41.24
Remaining term (Years)	1.00	2.01	3.01
Expected dividend (Yen)	¥4.50	¥4.50	¥4.50
Risk-free rate (%)	(0.14)	(0.09)	(0.09)
Fair value per share (Yen)	¥667	¥663	¥659

	December 31, 2022		
	The Company 2022 107th Share Options_04	The Company 2022 108th Share Options_01	The Company 2022 108th Share Options_02
Weighted average share prices (Yen)	¥672	¥672	¥672
Exercise price (Yen)	¥0.01	¥0.01	¥0.01
Expected volatility (%)	40.42	36.85	40.78
Remaining term (Years)	4.01	1.00	2.01
Expected dividend (Yen)	¥4.50	¥4.50	¥4.50
Risk-free rate (%)	(0.07)	(0.14)	(0.09)
Fair value per share (Yen)	¥654	¥667	¥663

	December 31, 2022		
	The Company 2022 108th Share Options_03	The Company 2022 108th Share Options_04	The Company 2022 109th Share Options_01
Weighted average share prices (Yen)	¥672	¥672	¥675
Exercise price (Yen)	¥0.01	¥0.01	¥0.01
Expected volatility (%)	41.24	40.42	32.66
Remaining term (Years)	3.01	4.01	1.00
Expected dividend (Yen)	¥4.50	¥4.50	¥4.50
Risk-free rate (%)	(0.09)	(0.07)	(0.11)
Fair value per share (Yen)	¥659	¥654	¥670

	December 31, 2022		
	The Company 2022 109th Share Options_02	The Company 2022 109th Share Options_03	The Company 2022 109th Share Options_04
Weighted average share prices (Yen)	¥675	¥675	¥675
Exercise price (Yen)	¥0.01	¥0.01	¥0.01
Expected volatility (%)	37.54	41.54	40.15
Remaining term (Years)	2.01	3.01	4.01
Expected dividend (Yen)	¥4.50	¥4.50	¥4.50
Risk-free rate (%)	(0.04)	(0.04)	0.00
Fair value per share (Yen)	¥666	¥662	¥657

	December 31, 2022		
	The Company 2022 110th Share Options_01	The Company 2022 110th Share Options_02	The Company 2022 110th Share Options_03
Weighted average share prices (Yen)	¥675	¥675	¥675
Exercise price (Yen)	¥0.01	¥0.01	¥0.01
Expected volatility (%)	32.66	37.54	41.54
Remaining term (Years)	1.00	2.01	3.01
Expected dividend (Yen)	¥4.50	¥4.50	¥4.50
Risk-free rate (%)	(0.11)	(0.04)	(0.04)
Fair value per share (Yen)	¥670	¥666	¥662

	December 31, 2022
	The Company 2022 110th Share Options_04
Weighted average share prices (Yen)	¥675
Exercise price (Yen)	¥0.01
Expected volatility (%)	40.15
Remaining term (Years)	4.01
Expected dividend (Yen)	¥4.50
Risk-free rate (%)	0.00
Fair value per share (Yen)	¥657

41. Dividends

	Year ended December 31, 2021		Year ended December 31, 2022	
	Dividends per share (Yen)	Amount of dividends (Millions of Yen)	Dividends per share (Yen)	Amount of dividends (Millions of Yen)
Dividends paid				
Dividends by resolution at the Board of Directors in the previous year	¥4.50	¥6,131	¥4.50	¥7,118
Dividends paid during the current year	—	—	—	—
Total dividends paid applicable to the year	4.50	6,131	4.50	7,118

As for the policy for shareholder return, the Company strives to pay stable and continuous dividends, while taking into account the importance of making investments with a view to medium to long-term growth and ensuring sufficient internal reserves for the purpose of stabilizing our financial base. With respect to the required level of shareholders' equity, the Company's basic philosophy is as follows:

- Prepare a financial basis sound enough for the Company to capture growing business opportunities promptly and accurately
- Ensure sufficiency in comparison with risks associated with business activities and assets
- Maintain the level of financial rating required for stable financing, while sustaining the level of shareholders equity in compliance with regulatory requirements

(Note) Cash dividends paid with record date during the year ended December 31, 2022 are as follows:

Date of resolution	Total dividends (Millions of Yen)	Dividends per share (Yen)
Resolution at the Board of Directors on February 14, 2023	¥7,157	¥4.50

42. Classification of Financial Instruments

The Group Companies' financial instruments are classified as follows:

As of December 31, 2021

(Financial Assets)

(Millions of Yen)

	Financial assets measured at fair value			Financial assets measured at amortized cost	Total
	Financial assets measured at FVTPL	Debt instruments measured at FVTOCI	Equity instruments measured at FVTOCI		
Cash and cash equivalents	¥—	¥—	¥—	¥4,410,301	¥4,410,301
Accounts receivable - trade	0	—	—	307,821	307,821
Financial assets for securities business	790	—	—	3,087,754	3,088,544
Loans for credit card business	—	—	—	2,388,448	2,388,448
Investment securities for banking business	1,018	352,441	1	105,644	459,104
Loans for banking business	—	—	—	2,528,795	2,528,795
Investment securities for insurance business	3,731	107,522	179,202	—	290,455
Derivative assets (Note 1)	45,056	—	—	—	45,056
Investment securities	268,822	—	5,849	6,508	281,179
Other financial assets (Note 2)	5,343	—	—	583,046	588,389
Total	324,760	459,963	185,052	13,418,317	14,388,092

(Notes) 1. Derivative assets of ¥7,614 million represent derivatives as hedging instruments, and fluctuations in their fair value are recognized through other comprehensive income. For details, please refer to Note 38. Hedge Accounting.

2. Insurance business policy reserves (reinsured portion) of ¥ 54,261 million are excluded.

(Financial Liabilities)

(Millions of Yen)

	Financial liabilities measured at fair value		Financial liabilities measured at amortized cost	Total
	Financial liabilities subject to mandatory measurement at fair value	Financial liabilities designated as being measured at FVTPL		
Accounts payable — trade	¥—	¥—	¥392,455	¥392,455
Deposits for banking business	—	—	6,848,370	6,848,370
Financial liabilities for securities business	—	—	3,032,996	3,032,996
Derivative liabilities	24,825	—	—	24,825
Bonds and borrowings	—	—	1,355,255	1,355,255
Borrowings for securities business	—	—	207,505	207,505
Bonds and borrowings for credit card business	—	—	733,852	733,852
Borrowings for banking business	—	—	1,106,300	1,106,300
Other financial liabilities	4,559	—	1,410,809	1,415,368
Total	29,384	—	15,087,542	15,116,926

As of December 31, 2022

(Financial Assets)

(Millions of Yen)

	Financial assets measured at fair value			Financial assets measured at amortized cost	Total
	Financial assets measured at FVTPL	Debt instruments measured at FVTOCI	Equity instruments measured at FVTOCI		
Cash and cash equivalents	¥—	¥—	¥—	¥4,694,360	¥4,694,360
Accounts receivable — trade	—	—	—	364,186	364,186
Financial assets for securities business	1,410	—	—	3,429,366	3,430,776
Loans for credit card business	—	—	—	2,776,044	2,776,044
Investment securities for banking business	940	343,937	1	571,773	916,651
Loans for banking business	—	—	—	3,507,559	3,507,559
Investment securities for insurance business	4,451	100,141	165,275	—	269,867
Derivative assets (Note 1)	181,106	—	—	—	181,106
Investment securities	154,185	—	6,080	806	161,071
Other financial assets (Note 2)	8,194	—	16	1,159,243	1,167,453
Total	350,286	444,078	171,372	16,503,337	17,469,073

(Notes) 1. Derivative assets of ¥17,352 million represent derivatives as hedging instruments, and fluctuations in their fair value are recognized through other comprehensive income. For details, please refer to Note 38. Hedge Accounting.

2. Insurance business policy reserves (reinsured portion) of ¥ 46,483 million are excluded.

(Financial Liabilities)

(Millions of Yen)

	Financial liabilities measured at fair value		Financial liabilities measured at amortized cost	Total
	Financial liabilities subject to mandatory measurement at fair value	Financial liabilities designated as being measured at FVTPL		
Accounts payable — trade	¥—	¥—	¥450,562	¥450,562
Deposits for banking business	—	—	8,419,097	8,419,097
Financial liabilities for securities business	—	—	3,494,467	3,494,467
Derivative liabilities (Note)	35,727	—	—	35,727
Bonds and borrowings	—	—	1,760,781	1,760,781
Borrowings for securities business	—	—	157,542	157,542
Bonds and borrowings for credit card business	—	—	812,738	812,738
Borrowings for banking business	—	—	2,181,689	2,181,689
Other financial liabilities	1,687	—	1,625,613	1,627,300
Total	37,414	—	18,902,489	18,939,903

(Notes) Derivative liabilities of ¥4,049 million represent derivatives as hedging instruments, and fluctuations in their fair value are recognized through other comprehensive income. For details, please refer to Note 38. Hedge Accounting.

(1) Equity Instruments Measured at FVTOCI

Of the shares held by the Group Companies, those held over the long term for the purpose of strengthening business relationships or in anticipation of synergistic effects, etc. in business operations are designated as equity instruments measured at FVTOCI.

Equity instruments measured at FVTOCI as of December 31, 2021 mainly comprise exchange-traded real estate investment trusts, with a fair value of ¥138,977 million. Equity instruments measured at FVTOCI as of December 31, 2022 mainly comprise exchange-traded real estate investment trusts, with a fair value of ¥ 106,445 million.

During the year ended December 31, 2021, shares of investments from which synergistic effects, etc. could no longer be anticipated were sold. In addition, some shares were sold as part of the companywide financial strategy reconsideration. The fair value of such investments at the time of sales was ¥48,231 million, and cumulative fair value gains within other comprehensive income at the time of sale were ¥5,495 million. During the year ended December 31, 2022, shares of investments which synergistic effects, etc. could no longer be anticipated were sold. In addition, some shares were sold as part of the companywide financial strategies reconsideration. The fair value of such investments at the time of sales was ¥29,994 million, and cumulative fair value gains within other comprehensive income at the time of sale were ¥698 million.

Additionally, during the year ended December 31, 2021, dividend income recognized from shares designated as equity instruments measured at FVTOCI was ¥5,212 million, all of which were related to shares held as of December 31, 2021. Furthermore, during the year ended

December 31, 2022, dividend income recognized from shares designated as equity instruments measured at FVTOCI was ¥6,110 million, of which, the amount relating to shares held as of December 31, 2022 was ¥5,563 million.

During the year ended December 31, 2021, the Group Companies reclassified ¥2,215 million of cumulative losses in equity, related to shares designated as equity instruments measured at FVTOCI, to retained earnings on the sale of such shares, etc. During the year ended December 31, 2022, the Group Companies reclassified ¥1,148 million of cumulative losses in equity, related to shares designated as equity instruments measured at FVTOCI, to retained earnings on the sale of such shares, etc.

43. Gains and Losses on Financial Instruments

The analysis of the gains and losses on financial instruments held by the Group Companies is as follows:

For the year ended December 31, 2021

(1) Breakdown of Net Gains and Losses on Financial Assets by Type of Financial Instruments

(Millions of Yen)

	Financial assets measured at fair value			Financial assets measured at amortized cost	Total
	Financial assets measured at FVTPL	Debt instruments measured at FVTOCI	Equity instruments measured at FVTOCI		
Revenue	¥26,984	¥840	¥5,208	¥(47)	¥32,985
Operating expenses	—	26	—	40,870	40,896
Other income	40,969	—	—	14	40,983
Other expenses	—	—	—	2	2
Financial income	6,454	—	4	—	6,458
Financial expenses	4,810	—	—	—	4,810
Amount recognized in other comprehensive income during the year	6,027	(1,868)	(5,331)	—	(1,172)
Amount of reclassification adjustment at the time of derecognition	(7,767)	(246)	—	—	(8,013)

There are no net gains or losses on financial assets designated as being measured at fair value.

Net gains on financial assets measured at FVTPL include interest income, dividend income, commissions received, and valuation gains on investment securities relating to such assets. Interest income and commission revenue from financial assets measured at FVTOCI and financial assets measured at amortized cost are noted in (3) and (4), respectively.

(2) Breakdown of Financial Income and Financial Expenses on Financial Liabilities by Type of Financial Instruments

(Millions of Yen)

	Financial liabilities measured at fair value		Financial liabilities measured at amortized cost	Total
	Financial liabilities subject to mandatory measurement at fair value	Financial liabilities designated as being measured at fair value		
Financial income	¥11,764	¥—	¥—	¥11,764
Financial expenses	—	—	14,335	14,335

Net gains on financial liabilities subject to mandatory measurement at fair value include gain on derivatives. Interest expenses and commission fee expenses from financial liabilities measured at amortized cost are noted in (3) and (4), respectively.

(3) Breakdown of Total Interest Income and Interest Expenses (Calculated Using the Effective Interest Method) from Financial Instruments by Type of Financial Instruments

(Millions of Yen)

	Debt instruments measured at FVTOCI	Financial assets measured at amortized cost	Financial liabilities measured at amortized cost
Revenue	¥2,942	¥199,833	¥—
Operating expenses	—	—	12,439
Financial income	—	681	—
Financial expenses	—	—	18,061
Total	2,942	200,514	30,500

(4) Breakdown of Commission Revenue and Commission Fee Expenses from Financial Instruments by Type of Financial Instruments

(Millions of Yen)

	Debt instruments measured at FVTOCI	Equity instruments measured at FVTOCI	Financial assets measured at amortized cost	Financial liabilities measured at amortized cost	Trust and other trustee operations
Revenue	¥—	¥—	¥—	¥—	¥237
Financial expenses	—	—	—	1,437	—

(5) Analysis of Gains and Losses on Derecognition of Financial Assets Measured at Amortized Cost and Reason for Derecognition

(Millions of Yen)

	Gains on derecognition of financial assets measured at amortized cost	Losses on derecognition of financial assets measured at amortized cost
Others	¥14	¥2

For the year ended December 31, 2022

(1) Breakdown of Net Gains and Losses on Financial Assets by Type of Financial Instruments

(Millions of Yen)

	Financial assets measured at fair value			Financial assets measured at amortized cost	Total
	Financial assets measured at FVTPL	Debt instruments measured at FVTOCI	Equity instruments measured at FVTOCI		
Revenue	¥21,013	¥1,071	¥6,100	¥(8)	¥28,176
Operating expenses	—	66	—	36,454	36,520
Other income	1,218	—	—	—	1,218
Other expenses	9,391	—	—	6	9,397
Financial income	14,940	—	10	36	14,986
Financial expenses	111,125	—	—	—	111,125
Amount recognized in other comprehensive income during the year	5,039	(23,740)	(8,560)	—	(27,261)
Amount of reclassification adjustment at the time of derecognition	(8,762)	(6)	—	—	(8,768)

There are no net gains or losses on financial assets designated as being measured at fair value.

Net gains on financial assets measured at FVTPL include interest income, dividend income, commissions received, and valuation gains on investment securities relating to such assets. Interest income and commission revenue from financial assets measured at FVTOCI and financial assets measured at amortized cost are noted in (3) and (4), respectively.

(2) Breakdown of Net Gains and Losses on Financial Liabilities by Type of Financial Instruments

(Millions of Yen)

	Financial liabilities measured at fair value		Financial liabilities measured at amortized cost	Total
	Financial liabilities subject to mandatory measurement at fair value	Financial liabilities designated as being measured at fair value		
Financial income	¥99,949	¥—	¥—	¥99,949
Financial expenses	—	—	17,143	17,143

Net gains on financial liabilities subject to mandatory measurement at fair value include gain on derivatives. Interest expenses and commission fee expenses from financial liabilities measured at amortized cost are noted in (3) and (4), respectively.

(3) Breakdown of Total Interest Income and Interest Expenses (Calculated Using the Effective Interest Method) from Financial Instruments by Type of Financial Instruments

(Millions of Yen)

	Debt instruments measured at FVTOCI	Financial assets measured at amortized cost	Financial liabilities measured at amortized cost
Revenue	¥3,815	¥210,895	¥—
Operating expenses	—	—	14,820
Financial income	—	496	—
Financial expenses	—	—	27,440
Total	3,815	211,391	42,260

(4) Breakdown of Commission Revenue and Commission Fee Expenses from Financial Instruments by Type of Financial Instruments

(Millions of Yen)

	Debt instruments measured at FVTOCI	Equity instruments measured at FVTOCI	Financial assets measured at amortized cost	Financial liabilities measured at amortized cost	Trust and other trustee operations
Revenue	¥—	¥—	¥—	¥—	¥302
Financial expenses	—	—	—	1,178	—

(5) Analysis of Gains and Losses on Derecognition of Financial Assets Measured at Amortized Cost and Reason for Derecognition

(Millions of Yen)

	Gains on derecognition of financial assets measured at amortized cost	Losses on derecognition of financial assets measured at amortized cost
Others	¥—	¥6

44. Fair Value of Financial Instruments

(1) Carrying Amount and Fair Value of Financial Instruments

The following table provides a comparison between carrying amounts and fair values of the financial instruments held by the Group Companies.

Cash and cash equivalents, accounts receivable — trade, financial assets and liabilities for securities business, other financial assets, accounts payable — trade, borrowings for securities business, and borrowings for banking business are not included in the following table.

These financial instruments are subject to short-term settlement. They comprise financial assets or liabilities whose fair values approximate their carrying amounts, or financial assets or liabilities whose fair values calculated by discounting each portion of future cash flows classified by period for the corresponding remaining maturity, using the applicable interest rate considering credit risk, approximate their carrying amounts.

In addition, derivative assets and liabilities, and investment securities for insurance business are financial assets and liabilities routinely calculated based on fair value, and accordingly, they are not included in the following table.

(Millions of Yen)

	December 31, 2021		
	Carrying amount	Fair value	Difference
(Financial assets)			
Loans for credit card business	¥2,388,448	¥2,445,618	¥57,170
Investment securities for banking business	459,104	458,882	(222)
Loans for banking business	2,528,795	2,534,095	5,300
Investment securities	281,179	281,202	23
Total	5,657,526	5,719,797	62,271
(Financial liabilities)			
Deposits for banking business	6,848,370	6,848,411	41
Bonds and borrowings	1,355,255	1,388,590	33,335
Bonds and borrowings for credit card business	733,852	736,856	3,004
Other financial liabilities (Note)	1,073,094	1,069,533	(3,561)
Total	10,010,571	10,043,390	32,819

(Note) Lease liabilities of ¥342,274 million are excluded. In addition, guarantee deposits received for the prepaid variable share forward transactions of Lyft shares of ¥125,115 million and ¥122,218 million are included in book value and fair value, respectively. For details of the prepaid variable share forward transactions of Lyft shares, please refer to Note 26. Other Financial Liabilities.

(Millions of Yen)

	December 31, 2022		
	Carrying amount	Fair value	Difference
(Financial assets)			
Loans for credit card business	¥2,776,044	¥2,830,831	¥54,787
Investment securities for banking business	916,651	903,509	(13,142)
Loans for banking business	3,507,559	3,510,057	2,498
Investment securities	161,071	161,071	—
Total	7,361,325	7,405,468	44,143
(Financial liabilities)			
Deposits for banking business	8,419,097	8,419,133	36
Bonds and borrowings	1,760,781	1,771,320	10,539
Bonds and borrowings for credit card business	812,738	815,860	3,122
Other financial liabilities (Note)	1,196,477	1,181,980	(14,497)
Total	12,189,093	12,188,293	(800)

(Note) Lease liabilities of ¥430,823 million are excluded. In addition, guarantee deposits received for the prepaid variable share forward transactions of Lyft shares of ¥143,210 million and ¥129,169 million are included in book value and fair value, respectively.

The measurement method of fair values is as follows:

- Loans for credit card business and loans for banking business
  The fair value of loans for credit card business and loans for banking business is based on present value calculated by discounting each portion of future cash flows classified by period, for the corresponding remaining maturity using the applicable interest rate considering credit risk.
- Investment securities for banking business, investment securities for insurance business and investment securities
  Of investment securities for banking business, investment securities for insurance business and investment securities, fair value of listed shares is measured using the year-end closing market price, while fair value of unlisted shares is measured using an appropriate valuation technique, mainly by comparison with actual similar transactions. The fair value of bonds is based on reasonable valuation methods using available information, including trading statistics and brokers' quotes.
- Other financial liabilities
  The fair value of other financial liabilities is based on present value calculated by discounting each portion of future cash flows classified by period, for the corresponding remaining maturity using the applicable interest rate considering credit risk.
- Derivative assets and derivative liabilities
  Within derivative assets and liabilities, fair value of forward exchange contracts is measured based on forward exchange rates. Trading derivatives for over-the-counter transaction are

measured based on quotations provided by brokers. Fair value of interest rate swaps is based on present value calculated by discounting future cash flows for the remaining maturity using the rate of the interest rate swap at the end of year.

Since counterparties of interest rate swap contracts are limited to financial institutions with superior credit ratings, consideration of credit risk is not incorporated in the calculation of fair value as it is deemed to be minimal.

- Deposits for banking business

  For demand deposits of the deposits for banking business, amounts payable on request at the year-end closing date (carrying amount) are considered to represent fair value. Fair value of time deposits is based on present value calculated by discounting each portion of future cash flows classified by period, for the corresponding remaining maturity, using the applicable interest rate considering credit risk. For time deposits with short remaining maturities (one year or less), the carrying amount is deemed as fair value as such fair value approximates the carrying amount.

- Bonds and borrowings, and bonds and borrowings for credit card business

  Within bonds and borrowings and bonds and borrowings for credit card business, fair values of those with longer remaining maturities is based on present value calculated by discounting each portion of future cash flows classified by period, for the corresponding remaining maturity, using the applicable interest rate considering credit risk.

(2) Fair Value Hierarchy

The following table shows fair value measurement classified into one of three levels from Level 1 to Level 3 based on the fair value hierarchy.

[Definition of Each Level of Hierarchy]

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Fair value calculated by using inputs that are directly or indirectly observable for assets or liabilities, other than quoted prices included within Level 1

Level 3: Fair value calculated by using the valuation technique including inputs that are unobservable

The Group Companies recognize transfers between each level in hierarchy at the end of the quarter in which the events causing the transfers occur.

Classification by level of assets and liabilities based on fair value in the Consolidated Statement of Financial Position

For the year ended December 31, 2021

(Millions of Yen)

	Level 1	Level 2	Level 3	Total
Financial assets for securities business	¥—	¥790	¥—	¥790
Investment securities for banking business	168,532	25,877	159,051	353,460
Investment securities for insurance business	160,516	87,278	42,661	290,455
Investment securities	162,632	15,357	96,682	274,671
Other financial assets	—	—	5,343	5,343
Derivative assets/liabilities	—	20,231	—	20,231

There were no significant transfers between Level 1 and Level 2 during the year ended December 31, 2021.

For the year ended December 31, 2022

(Millions of Yen)

	Level 1	Level 2	Level 3	Total
Financial assets for securities business	¥487	¥923	¥—	¥1,410
Investment securities for banking business	131,762	35,533	177,582	344,877
Investment securities for insurance business	130,414	101,960	37,493	269,867
Investment securities	57,395	18,707	84,163	160,265
Other financial assets	—	—	8,210	8,210
Derivative assets/liabilities	—	145,379	—	145,379

There were no significant transfers between Level 1 and Level 2 during the year ended December 31, 2022.

Classification by level of assets and liabilities not based on fair value in the Consolidated Statement of Financial Position

For the year ended December 31, 2021

(Millions of Yen)

	Level 1	Level 2	Level 3	Total
Loans for credit card business	¥—	¥—	¥2,445,618	¥2,445,618
Investment securities for banking business	99,020	2,085	4,317	105,422
Loans for banking business	—	—	2,534,095	2,534,095
Investment securities	4,726	1,001	804	6,531
Deposits for banking business	—	6,848,411	—	6,848,411
Bonds and borrowings	—	1,388,590	—	1,388,590
Bonds and borrowings for credit card business	—	736,856	—	736,856
Other financial liabilities	—	1,411,807	—	1,411,807

For the year ended December 31, 2022

(Millions of Yen)

	Level 1	Level 2	Level 3	Total
Loans for credit card business	¥—	¥—	¥2,830,831	¥2,830,831
Investment securities for banking business	509,371	49,261	—	558,632
Loans for banking business	—	—	3,510,057	3,510,057
Investment securities	—	1	805	806
Deposits for banking business	—	8,419,133	—	8,419,133
Bonds and borrowings	—	1,771,320	—	1,771,320
Bonds and borrowings for credit card business	—	815,860	—	815,860
Other financial liabilities	—	1,181,980	—	1,181,980

(3) Reconciliation of Level 3 of the Hierarchy

The following reconciliation table indicates changes in the balances, from the beginning to the end of each year, of the financial instruments classified as Level 3, with one or more significant inputs not supported by observable market data.

For the year ended December 31, 2021

(Millions of Yen)

	Investment securities for banking business	Investment securities for insurance business	Investment securities	Other financial assets	Total
January 1, 2021	¥155,805	¥53,085	¥86,482	¥11,348	¥306,720
Gains or losses					
Net income	—	335	13,964	690	14,989
Other comprehensive income	1	(1,213)	(371)	—	(1,583)
Acquisition	416,892	512	14,115	2,384	433,903
Disposal	—	(4,758)	(9,693)	(767)	(15,218)
Redemption	(413,657)	(8,756)	—	(2,064)	(424,477)
Others	10	3,456	7,314	(6,248)	4,532
Transfer to Level 3	—	—	—	—	—
Transfer from Level 3 (Note)	—	—	(15,129)	—	(15,129)
December 31, 2021	159,051	42,661	96,682	5,343	303,737
Total net income on financial instruments held at the end of previous fiscal year (December 31, 2021)	—	335	12,190	668	13,193

(Note) For "Investment securities", the transfer resulted from the listing of an investee as quoted share prices are now available.

Gains and losses included in net income during the year ended December 31, 2021 are included in "Revenue", "Other Income", and "Financial Income".

The fair value of unlisted shares classified in Level 3 is estimated based on the transaction comparison method. Other valuation methods and inputs are as follows:

Valuation method	Significant unobservable inputs	Range of unobservable inputs
Discounted cash flow method	Discount rate	12.0% - 14.0%

With regard to unobservable inputs, the rise in discount rate correlates with the decrease in fair value of shares.

For the year ended December 31, 2022

(Millions of Yen)

	Investment securities for banking business	Investment securities for insurance business	Investment securities	Other financial assets	Total
January 1, 2022	¥159,051	¥42,661	¥96,682	¥5,343	¥303,737
Gains or losses					
Net income	—	251	2,404	676	3,331
Other comprehensive income	(188)	(3,931)	(72)	—	(4,191)
Acquisition	408,221	3,381	3,511	2,058	417,171
Disposal	—	(296)	(6,147)	—	(6,443)
Redemption	(389,134)	(8,914)	(1,433)	—	(399,481)
Others	(368)	4,341	5,595	133	9,701
Transfer to Level 3	—	—	—	—	—
Transfer from Level 3 (Note)	—	—	(16,377)	—	(16,377)
December 31, 2022	177,582	37,493	84,163	8,210	307,448
Total net income on financial instruments held at the end of current fiscal year	—	251	2,509	676	3,436

(Note) For “Investment securities”, the transfer resulted from the listing of an investee as quoted share prices are now available.

Gains and losses included in net income during the year ended December 31, 2022 are included in “Revenue”, “Financial income”, “Financial expenses”, “Other income”, and “Other loss”.

The fair value of unlisted shares classified in Level 3 is estimated based on the transaction comparison method. Other valuation methods and inputs are as follows:

Valuation method	Significant unobservable inputs	Range of unobservable inputs
Discounted cash flow method	Discount rate	13.0% - 15.0%

With regard to unobservable inputs, the rise in discount rate correlates with the decrease in fair value of shares.

The fair values of unlisted shares, etc. are measured in accordance with rules specified by the administrative department independent of the sales department. In measuring fair value, the Group Companies use different valuation models that most appropriately reflects the property, characteristics, and risks of each asset. The reasons for the use of certain valuation models and fair value measurement processes are reported to department in charge of risk management to ensure the utilization of appropriate fair value measurement policies and procedures.

The fair values of investment securities for banking business are measured by the Risk Management Department in accordance with the official standard of market value calculation. Prices presented by transacting financial institutions and others are categorized by the type of investment securities. To validate the consistency of changes in these prices, movements in key data that may have an impact on changes in the market value of these categories of investment securities are carefully monitored. Validation results are reported to the Risk Management Committee, Management Meetings, and the Board of Directors on a monthly basis.

Operation and management of investment securities for insurance business are conducted in accordance with “Authorization Matrix Table” and “Regulation for Risk Management concerning Investment of Assets”. The major shares are held to enhance relationships with our business partners. To validate the consistency of changes in these prices, the market environment of their business and their financial conditions are monitored.

For investment securities for banking business, investment securities for insurance business and investment securities which are classified as Level 3, if each input were to be changed to reasonable alternative assumptions, any resulting changes in fair value are not expected to be significant. Additionally, for other financial assets classified as Level 3, significant changes in fair value are not anticipated if each input were to be changed to reasonable alternative assumptions.

45. Offsetting of Financial Assets and Financial Liabilities

The Group Companies' gross amount before the offsetting of recognized financial assets and financial liabilities that are presented on a net basis after offsetting in the Consolidated Statement of Financial Position, the amount and the net balance after offsetting are as follows. Additionally, the potential effect of offsetting legally enforceable master netting arrangements or similar agreements relating to recognized financial assets or financial liabilities are disclosed for amounts that are not presented on a net basis.

As of December 31, 2021
(Financial assets that are presented on a net basis after offsetting in the Consolidated Statement of Financial Position, and legally enforceable master netting arrangements or similar agreements)
(Millions of Yen)

Financial assets	Type of transaction	Gross amount of recognized financial assets	Gross amount of recognized financial liabilities offset in the Consolidated Statement of Financial Position	Net amount of financial assets presented in the Consolidated Statement of Financial Position
Derivative assets	Derivatives	¥43,093	¥(7,291)	¥35,802
Financial assets for securities business	Reverse repurchase agreements, investment securities borrowing agreements and similar agreements	665,308	—	665,308
	Accounts receivable, etc. relating to investment securities and other transactions, etc.	984,324	(459,461)	524,863
Other financial assets	Reverse repurchase agreements, investment securities borrowing agreements and similar agreements, and accounts receivable, etc.	176,056	(44,796)	131,260

(Millions of Yen)

Type of transaction	Net amount of financial assets presented in the Consolidated Statement of Financial Position	Related amounts that are not presented on a net basis after offsetting in the Consolidated Statement of Financial Position		Net amount
		Financial instruments	Collateral received	
Derivatives	¥35,802	¥(9,500)	¥(18,606)	¥7,696
Reverse repurchase agreements, investment securities borrowing agreements and similar agreements	665,308	(663,237)	—	2,071
Accounts receivable, etc. relating to investment securities and other transactions, etc.	524,863	(524,863)	—	—
Reverse repurchase agreements, investment securities borrowing agreements and similar agreements, and accounts receivable, etc.	131,260	(120,393)	—	10,867

(Financial liabilities that are presented on a net basis after offsetting in the Consolidated Statement of Financial Position, and legally enforceable master netting arrangements or similar agreements)

(Millions of Yen)

Financial liabilities	Type of transaction	Gross amount of recognized financial liabilities	Gross amount of recognized financial assets offset in the Consolidated Statement of Financial Position	Net amount of financial liabilities presented in the Consolidated Statement of Financial Position
Derivative liabilities	Derivatives	¥19,384	¥(7,291)	¥12,093
Financial liabilities for securities business	Repurchase agreements, investment securities lending agreements and similar agreements	641,577	—	641,577
	Accounts payable, etc. relating to investment securities and other transactions, etc.	2,220,788	(459,461)	1,761,327
Other financial liabilities	Repurchase agreements, investment securities lending agreements and similar agreements, and accounts payable, etc.	269,882	(44,796)	225,086

(Millions of Yen)

Type of transaction	Net amount of financial liabilities presented in the Consolidated Statement of Financial Position	Related amounts that are not presented on a net basis after offsetting in the Consolidated Statement of Financial Position		Net amount
		Financial instruments	Collateral pledged	
Derivatives	¥12,093	¥(9,500)	¥(2,558)	¥35
Repurchase agreements, investment securities lending agreements and similar agreements	641,577	(637,475)	(175)	3,927
Accounts payable, etc. relating to investment securities and other transactions, etc.	1,761,327	(621,731)	(7,700)	1,131,896
Repurchase agreements, investment securities lending agreements and similar agreements, and accounts payable, etc.	225,086	(138,199)	—	86,887

As of December 31, 2022

(Financial assets that are presented on a net basis after offsetting in the Consolidated Statement of Financial Position, and legally enforceable master netting arrangements or similar agreements)

(Millions of Yen)

Financial assets	Type of transaction	Gross amount of recognized financial assets	Gross amount of recognized financial liabilities offset in the Consolidated Statement of Financial Position	Net amount of financial assets presented in the Consolidated Statement of Financial Position
Derivative assets	Derivatives	¥106,494	¥(16,126)	¥90,368
Financial assets for securities business	Reverse repurchase agreements, investment securities borrowing agreements and similar agreements	701,632	—	701,632
	Accounts receivable, etc. relating to investment securities and other transactions, etc.	1,036,793	(471,064)	565,729
Other financial assets	Reverse repurchase agreements, investment securities borrowing agreements and similar agreements, and accounts receivable, etc.	574,603	(46,336)	528,267

(Millions of Yen)

Type of transaction	Net amount of financial assets presented in the Consolidated Statement of Financial Position	Related amounts that are not presented on a net basis after offsetting in the Consolidated Statement of Financial Position		Net amount
		Financial instruments	Collateral received	
Derivatives	¥90,368	¥(18,022)	¥(32,865)	¥39,481
Reverse repurchase agreements, investment securities borrowing agreements and similar agreements	701,632	(698,542)	—	3,090
Accounts receivable, etc. relating to investment securities and other transactions, etc.	565,729	(565,729)	—	—
Reverse repurchase agreements, investment securities borrowing agreements and similar agreements, and accounts receivable, etc.	528,267	(521,768)	—	6,499

(Financial liabilities that are presented on a net basis after offsetting in the Consolidated Statement of Financial Position, and legally enforceable master netting arrangements or similar agreements)

(Millions of Yen)

Financial liabilities	Type of transaction	Gross amount of recognized financial liabilities	Gross amount of recognized financial assets offset in the Consolidated Statement of Financial Position	Net amount of financial liabilities presented in the Consolidated Statement of Financial Position
Derivative liabilities	Derivatives	¥50,856	¥(16,126)	¥34,730
Financial liabilities for securities business	Repurchase agreements, investment securities lending agreements and similar agreements	883,104	—	883,104
	Accounts payable, etc. relating to investment securities and other transactions, etc.	2,399,010	(471,064)	1,927,946
Other financial liabilities	Repurchase agreements, investment securities lending agreements and similar agreements, and accounts payable	208,082	(46,336)	161,746

(Millions of Yen)

Type of transaction	Net amount of financial liabilities presented in the Consolidated Statement of Financial Position	Related amounts that are not presented on a net basis after offsetting in the Consolidated Statement of Financial Position		Net amount
		Financial instruments	Collateral pledged	
Derivatives	¥34,730	¥(18,022)	¥(11,796)	¥4,912
Repurchase agreements, investment securities lending agreements and similar agreements	883,104	(878,979)	—	4,125
Accounts payable, etc. relating to investment securities and other transactions, etc.	1,927,946	(638,451)	(12,947)	1,276,548
Repurchase agreements, investment securities lending agreements and similar agreements, and accounts payable, etc.	161,746	(102,187)	—	59,559

The right to offset financial assets and liabilities subject to legally enforceable master netting agreements or other similar agreements that are not presented on a net basis after offsetting in the statement of financial position becomes enforceable and affects the realization or settlement of individual financial assets and liabilities only following a default or other specified circumstances not expected to arise in the normal course of business.

46. Lease Accounting

The Group Companies, as the lessee, mainly leases offices, warehouses, data centers and telecommunications facilities.

Information on leases, with the Group Companies as the lessee, is as follows:

(1) Amounts recognized in the Consolidated Statement of Financial Position

(Millions of Yen)

	December 31, 2021	December 31, 2022
Right-of-use assets		
Offices as the underlying assets	¥64,909	¥80,907
Warehouses as the underlying assets	29,706	56,176
Data centers as the underlying assets	16,441	14,314
Telecommunications facilities as the underlying assets	214,695	256,686
Other underlying assets	18,684	18,801
Total right-of-use assets (Note 1)	344,435	426,884
Lease liabilities (Note 2)	342,274	430,823

(Notes) 1. Offices, warehouses, data centers and telecommunications facilities are mainly buildings and accompanying facilities.

2. Lease liabilities are included in "Other financial liabilities" in the Consolidated Statement of Financial Position.

(2) Amounts recognized in the Consolidated Statement of Income

(Millions of Yen)

	Year ended December 31, 2021	Year ended December 31, 2022
Depreciation associated with right-of-use assets		
Offices as the underlying assets	¥13,394	¥18,759
Warehouses as the underlying assets	7,447	4,727
Data centers as the underlying assets	3,743	4,637
Telecommunications facilities as the underlying assets	17,452	28,799
Other underlying assets	2,916	3,924
Total depreciation associated with right-of-use assets (Note 1)	44,952	60,846
Interest expenses associated with lease liabilities (Note 2)	1,590	3,201

(Notes) 1. Depreciation associated with right-of-use assets is included in "Operating expenses" of the Consolidated Statement of Income.

2. Interest expenses associated with lease liabilities are included in "Financial expenses" of the Consolidated Statement of Income.

(3) Cash flows associated with leases

(Millions of Yen)

	Year ended December 31, 2021	Year ended December 31, 2022
Total cash outflows associated with leases	¥46,965	¥61,548

(4) Extension options and termination options

Certain lease contracts have extension options and/or termination options, which may be exercised by the Group Companies, and the Group Companies may exercise such options, as necessary. The Group Companies assess whether it is reasonably certain the extension option will be exercised or the termination option will not be exercised at the commencement date of the lease term. Given that the lease term is determined for each lease transaction on the assumption of a reasonably certain contractual period, the lease term includes leases that anticipate the extension option will be exercised and those that anticipate the termination option will not be exercised.

Major extension options and termination options are as follows:

- Office contracts: Automatic extension option (excluding fixed-term lease and rental contracts)
- Certain warehouse contracts: Cancellable after the elapse of 10 years since the lease commencement date, by opting before the elapse of nine years

(5) Contracted leases that have not yet commenced

The amount of future cash outflows to which the Group Companies are potentially exposed due to leases that have been contracted but have not yet commenced as of December 31, 2021 was ¥43,944 million and it was not applicable as of December 31, 2022.

47. Financial Risk Management

The objective of the Group Companies' investment activities is to protect the principal and ensure the efficient use of funds by fully taking into account various risks including credit risk, market risk and liquidity risk. In addition, in view of factors such as the current economic environment, the Group Companies' fund-raising activities are based on the best conceivable choice of the alternative options among direct as well as indirect financing methods.

In the securities business, the Group Companies focus on the brokerage and intermediary services of financial instruments including stocks for individual customers, and under the Financial Instruments and Exchange Act invest the deposits and guarantee deposits received from customers that have been segregated in trusts for customers for separate management. When utilizing funds, importance is placed on the safety of investments, such as bank deposits and financial assets with high liquidity, while fund-raising is conducted mainly by borrowing from financial institutions.

In the credit card business (including the comprehensive credit purchase intermediation business, individual credit purchase intermediation business, credit guarantee business and loan business), the Group Companies restrict their investment of funds to short-term deposits. Meanwhile, funding is obtained through borrowings from banks and other financial institutions and through direct financing by issuance of commercial papers, issuance of corporate bonds and securitization of receivables.

In the banking business, the Group Companies primarily focus on deposit-taking, lending and exchange business, and mainly offer ordinary deposits, time deposits and foreign currency deposits. In addition, using such financial liabilities as major resources, the Group Companies mainly provide guaranteed unsecured card loans, residential mortgages and business loans, as well as engaging in investment activities through investment securities, monetary claims purchased, monetary trusts and call loans, along with derivative transactions and foreign exchange transactions associated with the sales of financial instruments to customers. In asset management, the Group Companies are always aware of the significance of a bank's social responsibility and public mission, which strictly restrains it from entering into investment transactions beyond its management capacity in the undue pursuit of profit, and emphasis is placed on investing deposits entrusted by customers with full consideration of safety. Furthermore, to ensure an optimum asset and liability structure along with appropriate capital adequacy over the entire financial operations from funding to investment, the Group Companies engage in Asset and Liability Management (ALM) focused on interest rate sensitivity, funding liquidity and market liquidity.

In the insurance business, the Group Companies consider ensuring safety and profitability as their priority mission in asset management, in order to honor their commitment to the reliable payment of insurance claims and benefits over the years to come. Their policy in asset management is to invest mainly in public bonds seeking to disperse risks with an aim to receive consistent investment yields over the medium to long-term, in an effort to develop a safety-first liquidity and profitability-oriented sound investment portfolio.

Under the corporate policy, derivative transactions are handled responsibly, never to be entered into as speculative instruments.

(1) Credit Risk

1) Outline of credit risk associated with financial instruments

Financial assets held by the Group Companies mainly comprise accounts receivable — trade, financial assets for securities business, loans for credit card business, investment securities for banking business, loans for banking business, investment securities for insurance business and investment securities.

Accounts receivable — trade mainly include accounts receivable relating to sales revenue from individual customers of the internet service business, merchants, hotels and other clients, and are exposed to the credit risk of these clients.

Financial assets for securities business include cash segregated as deposits for securities business and margin transaction assets. Cash segregated as deposits for securities business are primarily trust segregated for customer's money, which are invested in bank deposits, thus exposed to the credit risk of the deposit-taking financial institutions. Margin transaction assets are exposed to customers' credit risk.

Loans for credit card business include credit card receivables, loan receivables, consumer loans and secured loans held by the subsidiaries engaged in the credit card business. These are exposed to credit risk associated with respective debtors.

Investment securities for banking business mainly include securities in domestic bonds and foreign bonds, as well as trust beneficiary rights. Such securities are exposed to credit risk of the issuers as well as underlying assets.

Loans for banking business include unsecured card loans, residential mortgages, real estate mortgages and business loans for individual customers, which are exposed to credit risk of customers.

Investment securities for insurance business include government bonds, municipal bonds and corporate bonds, and are exposed to credit risk related to the financial position of issuers.

Investment securities include debt instruments, etc., which are exposed to credit risk of issuers.

These financial assets are well diversified both in terms of the investees' types of business and their geographical locations, avoiding particular concentration of credit risk.

2) Management system of credit risks associated with financial instruments

Specific methods and systems to manage various risks within the Group Companies are set out under risk management regulations established at each Group Company. Additionally, with regard to financial assets for securities business and loans for banking business, the Group Companies engage in activities to reasonably mitigate the credit risk through collateral and debt guarantees.

Credit risks are managed under the group management regulations, through establishing individual credit limits, understanding the credit status of individual customers, and controlling due dates and loan balances on a regular basis, while efforts are made on early detection and mitigation of the risk of default resulting from deterioration of borrowers' financial conditions and other factors. In addition to the customers' financial information obtained through the course of such credit administration, expected credit loss is recognized and measured by considering macroeconomic factors such as the unemployment rate and the number of corporate bankruptcy cases.

With regard to financial assets for securities business and loans for credit card business and banking business, as a general rule, if the repayment or the settlement of the financial assets becomes more than 30 days overdue, the credit risk of the financial instrument is determined to have significantly increased since initial recognition.

With regard to investment securities which are considered to be debt instruments within the investments securities for banking business, the investment securities for insurance business, and investments securities, if the financial instrument, which had been investment grade at initial recognition, is downgraded to below investment grade, the credit risk of the financial instrument is determined to have significantly increased. Additionally, upon referencing third-party ratings, if the credit risk as of the reporting date is deemed to be small, the credit risk of such financial instrument is presumed not to have significantly increased. Ratings information provided by major rating organizations is used for the determination of credit risk.

With regard to these financial assets, as a general rule, if the repayment or the settlement becomes more than 90 days overdue, the contractual conditions have been modified, or recovery has been deemed to be extremely difficult, it is determined that a default has occurred.

Derivative transactions are managed under hedge transaction management rules. While credit risk is deemed to be minimal because the counterparties are mainly financial institutions with high credit ratings, the derivative transactions are exposed to the risk of financial loss resulting from the counterparty's contractual default.

3) Change analysis of allowance for doubtful accounts

As of December 31, 2021

(Millions of Yen)

	12-months expected credit losses	Lifetime expected credit loss: Financial assets with credit risk which has significantly increased since initial recognition	Lifetime expected credit loss: Financial assets impaired	Lifetime expected credit loss: Financial assets with allowance for doubtful accounts measured at an amount equal to lifetime expected credit losses	Total
January 1, 2021	¥20,394	¥5,230	¥77,648	¥8,749	¥112,021
Increase for the period (provision)	805	4,649	35,565	1,604	42,623
Decrease for the period (intended use)	(49)	(272)	(38,192)	(1,484)	(39,997)
Decrease for the period (reversal)	(1,569)	(60)	(445)	(589)	(2,663)
Reclassification for the period	(629)	(3,760)	4,389	—	—
Other changes for the period	15	2	409	220	646
December 31, 2021	18,967	5,789	79,374	8,500	112,630

(Note) The above table includes the allowances for doubtful accounts on debt instruments measured at FVTOCI. Such allowance for doubtful accounts is recognized in net income or loss and deducted from losses in other comprehensive income.

As of December 31, 2022

(Millions of Yen)

	12-months expected credit losses	Lifetime expected credit loss			Total
		Financial assets with credit risk which has significantly increased since initial recognition	Financial assets impaired	Financial assets with allowance for doubtful accounts measured at an amount equal to lifetime expected credit losses	
January 1, 2022	¥18,967	¥5,789	¥79,374	¥8,500	¥112,630
Increase for the period (provision)	1,279	4,706	36,183	1,363	43,531
Decrease for the period (intended use)	(42)	(309)	(40,170)	(2,066)	(42,587)
Decrease for the period (reversal)	(2,674)	(26)	(4,619)	(32)	(7,351)
Reclassification for the period	113	(4,046)	3,933	—	—
Other changes for the period	(4)	0	1,116	(215)	897
December 31, 2022	17,639	6,114	75,817	7,550	107,120

(Note) The above table includes the allowances for doubtful accounts on debt instruments measured at FVTOCI. Allowance for doubtful accounts is recognized in net income or loss and deducted from losses in other comprehensive income.

4) Exposure to credit risks

The Group Companies' maximum exposure to credit risk is as follows:

The maximum credit risk exposure represents the maximum exposure to credit risk without taking into account the collateral held by the Group Companies and any other credit enhancement.

The maximum exposure to credit risk associated with financial assets stated as on-balance sheet items recognized in the Statement of Financial Position in the following table, are the same as their carrying amounts. The maximum exposure to credit risk associated with commitment line agreements stated as off-balance sheet items in the following table, is the unused portion of such commitment lines. Meanwhile, the maximum exposure to credit risk associated with financial guarantee agreements is the maximum amount payable in the event that exercise of the guarantee is requested.

Exposure to credit risks of operating receivables, etc.

As of December 31, 2021

(Millions of Yen)

	Classification by creditworthiness		Total	Allowance for doubtful accounts	Maximum credit risk exposure
	Financial assets not impaired	Financial assets impaired			
On-balance sheet Items:					
Accounts receivable — trade (Note)	¥290,047	¥26,638	¥316,685	¥(8,865)	¥307,820
Other financial assets (Note)	155,792	18,186	173,978	(4,524)	169,454
Total:	445,839	44,824	490,663	(13,389)	477,274

(Note) Applies only to financial instruments with allowance for doubtful accounts are always based on amounts equal to lifetime expected credit loss and there are no categories that depend on whether a significant increase in credit risk since initial recognition has taken place, as they do not contain a significant financing component.

As of December 31, 2022

(Millions of Yen)

	Classification by creditworthiness		Total	Allowance for doubtful accounts	Maximum credit risk exposure
	Financial assets not impaired	Financial assets impaired			
On-balance sheet Items:					
Accounts receivable — trade (Note)	¥358,236	¥14,570	¥372,806	¥(8,620)	¥364,186
Other financial assets (Note)	256,733	8,183	264,916	(5,162)	259,754
Total:	614,969	22,753	637,722	(13,782)	623,940

(Note) Applies only to financial instruments with allowance for doubtful accounts are always based on amounts equal to lifetime expected credit loss and there are no categories that depend on whether a significant increase in credit risk since initial recognition has taken place, as they do not contain a significant financing component.

Exposure to credit risks of receivables other than operating receivables, etc.
As of December 31, 2021

(Millions of Yen)

	Classification by creditworthiness			Total	Allowance for doubtful accounts (Note)	Maximum credit risk exposure
	12-months expected credit losses	Financial assets with credit risk which has significantly increased since initial recognition	Financial assets impaired			
On-balance sheet Items:						
Cash and cash equivalents	¥4,410,301	¥—	¥—	¥4,410,301	¥—	¥4,410,301
Financial assets for securities business	3,087,559	1	2,002	3,089,562	(1,807)	3,087,755
Loans for credit card business	2,343,119	14,588	117,787	2,475,494	(87,046)	2,388,448
Investment securities for banking business	458,086	—	—	458,086	—	458,086
Loans for banking business	2,535,515	529	3,011	2,539,055	(10,260)	2,528,795
Investment securities for insurance business	107,522	—	—	107,522	—	107,522
Investment securities	6,508	—	—	6,508	—	6,508
Other financial assets	410,003	—	3,648	413,651	(58)	413,593
Total of On-balance sheet items:	13,358,613	15,118	126,448	13,500,179	(99,171)	13,401,008
Off-balance sheet items:						
Commitment lines	—	—	—	—	—	4,837,896
Financial guarantee agreements	—	—	—	—	—	14,720
Total of Off-balance sheet items:	—	—	—	—	—	4,852,616
Total	13,358,613	15,118	126,448	13,500,179	(99,171)	18,253,624

(Note) Expected credit losses for doubtful accounts of debt instruments measured at FVTOCI are not included.

*1 With regard to credit-impaired financial assets, the allowance for doubtful accounts has been reduced by ¥2,642 million in the previous fiscal year as a result of collateral and other credit enhancements.

*2 Regarding the financial assets with terms and conditions modified when customers or clients request modification of payment due dates of financial assets, the Group Companies may change the repayment contract terms and modify the initial contractual cash flows so as to facilitate the recovery of the financial assets. In the previous fiscal year, with regard to the financial assets whose allowance for doubtful accounts were based on an amount equivalent to estimated credit loss over the entire period, the amortized cost of the financial asset prior to the modification and net losses recognized as a result of the contractual cash flow modification were ¥29,518 million and ¥7,366 million, respectively.

As of December 31, 2022

(Millions of Yen)

	Classification by creditworthiness					
	12-months expected credit losses	Financial assets with credit risk which has significantly increased since initial recognition	Financial assets impaired	Total	Allowance for doubtful accounts (Note)	Maximum credit risk exposure
On-balance sheet Items:						
Cash and cash equivalents	¥4,694,360	¥—	¥—	¥4,694,360	¥—	¥4,694,360
Financial assets for securities business	3,429,180	23	1,919	3,431,122	(1,756)	3,429,366
Loans for credit card business	2,724,631	15,167	118,968	2,858,766	(82,722)	2,776,044
Investment securities for banking business	915,710	—	—	915,710	—	915,710
Loans for banking business	3,511,596	786	3,915	3,516,297	(8,738)	3,507,559
Investment securities for insurance business	100,141	—	—	100,141	—	100,141
Investment securities	806	—	—	806	—	806
Other financial assets	898,450	1	1,074	899,525	(36)	899,489
Total of On-balance sheet items:	16,274,874	15,977	125,876	16,416,727	(93,252)	16,323,475
Off-balance sheet items:						
Commitment lines	—	—	—	—	—	5,276,582
Financial guarantee agreements	—	—	—	—	—	12,709
Total of Off-balance sheet items:	—	—	—	—	—	5,289,291
Total	16,274,874	15,977	125,876	16,416,727	(93,252)	21,612,766

(Note) Expected credit losses for doubtful accounts of debt instruments measured at FVTOCI are not included.

*1 With regard to credit-impaired financial assets, the allowance for doubtful accounts has been reduced by ¥3,002 million in the fiscal year 2022 as a result of collateral and other credit enhancements.

*2 Regarding the financial assets which terms and conditions are modified when customers or clients request modification of payment due dates of financial assets, the Group Companies may change the repayment contract terms and modify the initial contractual cash flows so as to facilitate the recovery of the financial assets. In the current fiscal year, with regard to the financial assets with allowance for doubtful accounts based on an amount equivalent to estimated credit loss over the entire period, the amortized cost of the financial asset prior to the modification and net losses recognized as a result of the contractual cash flow modification were ¥31,407 million and ¥7,723 million, respectively.

5) Past due information of financial assets

Aging analysis of past due financial assets is as follows:

In the following aging analysis, amounts of financial assets, for which the payment terms have been extended or payment has not been made since the contractual due dates, are classified according to the length of the overdue period from the respective due dates for each fiscal year.

Past due information of operating receivables, etc.

As of December 31, 2021

(Millions of Yen)

	Three months or less	Over three months to one year	Over one year
Accounts receivable — trade	¥22,146	¥15,161	¥11,477
Other financial assets	9,962	18,061	124
Total	32,108	33,222	11,601

As of December 31, 2022

(Millions of Yen)

	Three months or less	Over three months to one year	Over one year
Accounts receivable — trade	¥23,704	¥4,869	¥9,701
Other financial assets	635	4,825	3,358
Total	24,339	9,624	13,059

Past due information of those other than operating receivables, etc.

As of December 31, 2021

(Millions of Yen)

	30 days or less	Over 30 days to 90 days	Over 90 days
Financial assets for securities business	¥19	¥1	¥2,002
Loans for credit card business	147,247	19,501	38,620
Investment securities for banking business	—	—	—
Loans for banking business	2,107	529	3,011
Other financial assets	—	—	2,689
Total	149,373	20,031	46,322

As of December 31, 2022

(Millions of Yen)

	30 days or less	Over 30 days to 90 days	Over 90 days
Financial assets for securities business	¥47	¥23	¥1,919
Loans for credit card business	173,375	19,697	34,841
Investment securities for banking business	—	—	—
Loans for banking business	8,232	786	3,864
Other financial assets	—	22	48
Total	181,654	20,528	40,672

(2) Liquidity Risk

1) Outline of liquidity risk associated with financial instruments

Within financial liabilities held by the Group Companies, bonds and borrowings, borrowings for securities business, bonds and borrowings for credit card business, borrowings for banking business, and deposits for banking business are mainly exposed to liquidity risks. Bonds and borrowings, borrowings for securities business, bonds and borrowings for credit card business, and borrowings for banking business are exposed to the risk of deteriorating funding conditions as a result of changes in the creditworthiness of the Group Companies against the transacting financial institutions and changes in the market environment.

In addition, certain borrowings of the Group Companies require compliance with covenants clauses such as maintaining equity and earnings.

2) Management of liquidity risk associated with financial instruments

Methods to control liquidity risk associated with funding include a cash management plan to ensure adequate liquidity on hand in accordance with regulations established by each Group Company.

3) Analysis of maturity of financial liabilities

The balances by maturity of financial liabilities (including derivatives) are as follows:

As of December 31, 2021

(Millions of Yen)

	One year or less	Over one year to two years	Over two years to three years	Over three years to four years	Over four years to five years	Over five years
Financial liabilities other than derivatives						
Accounts payable — trade	¥392,455	¥—	¥—	¥—	¥—	¥—
Deposits for banking business	6,825,375	10,840	5,208	2,549	2,049	1,309
Financial liabilities for securities business	3,032,996	—	—	—	—	—
Bonds and borrowings	244,302	181,434	300,590	163,848	119,520	365,359
Borrowings for securities business	189,334	—	18,549	—	—	—
Bonds and borrowings for credit card business	436,163	101,891	108,847	47,380	30,384	16,718
Borrowings for banking business	484,500	70,800	168,400	382,600	—	—
Lease liabilities	45,701	47,753	45,028	40,062	36,233	131,299
Other financial liabilities excluding lease liabilities	755,106	158,453	13,674	92,538	49,613	6,950
Derivative liabilities	8,729	339	167	7,604	4,218	3,934
Off-balance sheet items						
Commitment lines	4,837,896	—	—	—	—	—
Financial guarantee agreements	14,720	—	—	—	—	—

(Note) Financial liabilities payable on demand are classified as “One year or less”. “Deposits for banking business” include ¥6,401,269 million of demand deposits.

As of December 31, 2022

(Millions of Yen)

	One year or less	Over one year to two years	Over two years to three years	Over three years to four years	Over four years to five years	Over five years
Financial liabilities other than derivatives						
Accounts payable — trade	¥450,562	¥—	¥—	¥—	¥—	¥—
Deposits for banking business	8,297,562	10,444	4,403	1,705	2,865	1,618
Financial liabilities for securities business	3,494,467	—	—	—	—	—
Bonds and borrowings	507,190	407,046	341,776	147,802	69,175	311,825
Borrowings for securities business	139,473	18,646	—	—	—	—
Bonds and borrowings for credit card business	461,058	160,246	81,555	48,541	56,011	16,835
Borrowings for banking business	4,291	87,800	265,800	1,823,800	—	—
Lease liabilities	63,358	64,347	59,552	52,063	45,919	156,219
Other financial liabilities excluding lease liabilities	892,740	133,737	108,319	56,449	6,939	1,027
Derivative liabilities	31,160	3,358	(117)	(64)	7,688	—
Off-balance sheet items						
Commitment lines	5,276,582	—	—	—	—	—
Financial guarantee agreements	12,709	—	—	—	—	—

(Note) Financial liabilities payable on demand are classified as "One year or less". "Deposits for banking business" include ¥7,748,834 million of demand deposits.

(3) Market Risk

1) Outline of market risk associated with financial instruments

The Group Companies' activities are exposed mainly to risks associated with changes in the economic environment and the financial market environment. Risks associated with changes in the financial market environment are specifically, exchange rate risk, interest rate risk and price fluctuation risk.

Financial assets held by the Group Companies exposed to market risks are mainly financial assets for securities business, investment securities for banking business, investment securities for insurance business, and investment securities.

Financial assets for securities business include foreign exchange margin transactions in the securities business. However, the exposure to exchange rate risk is minimal, in principle, as the Group Companies enter into cover deals with counterparties to mitigate market risks associated with these transactions with customers.

Investment securities for banking business mainly include securities in domestic bonds and foreign bonds, as well as trust beneficiary rights. Such securities are exposed to interest rate risk and exchange rate risk. Exchange rate risks of foreign bonds are hedged by entering into corresponding forward exchange contracts and by managing positions. Furthermore, exposure to price fluctuation risk is minimal, as the Group Companies' subsidiaries engage in the banking business do not hold any listed shares.

Investment securities for insurance business mainly include government bonds, municipal bonds, corporate bonds, shares and investment trust funds, which are exposed to exchange rate risk, interest rate risk, and price fluctuation risk.

Investment securities include shares that are exposed to price fluctuation risk.

Within the financial liabilities held by the Group Companies, those exposed to market risks are mainly bonds and borrowings and banking business-related liabilities, which are exposed primarily to interest rate risk and exchange rate risk. Risks of bonds and borrowings are hedged by entering into corresponding interest rate swap transactions and currency swap transactions. Banking business-related liabilities include ordinary deposits, general time deposits and new types of time deposits for individual and corporate customers, as well as foreign currency ordinary deposits and foreign currency time deposits. Although new types of time deposits are exposed to interest rate risk, such risk is hedged by entering into corresponding interest rate swap transactions. Although foreign currency ordinary deposits and foreign currency time deposits are exposed to exchange rate risk, such risk is hedged by entering into corresponding forward exchange contracts.

2) Control system of market risks associated with financial instruments

To control market risks, investment securities are subject to investment decisions based on discussion upon the Board of Directors, and it is ensured that such investment securities are appropriately evaluated according to internal regulations. With regard to foreign currency-denominated financial instruments, exchange markets are continuously monitored and the Group Companies' own positions are regulated by establishing position limits and maximum allowable losses for the prevention of any loss in excess of certain levels.

With regard to financial assets held by certain subsidiaries engaged in the banking business, such financial assets and liabilities are based on fair value assuming certain fluctuations in interest rates and exchange rates, and the effects on the net balance after offsetting such financial assets and liabilities (hereinafter referred to as the "present value") are used in a quantitative analysis to manage interest rate risk and exchange rate risk.

Market risk exposure associated with the financial assets held by certain subsidiaries of the Group operating insurance business is measured and managed through stress testing assuming market fluctuations beyond normal volatility, and reported periodically to the Board of Directors through the Risk Management Committee.

3) Interest rate risk (excluding the subsidiaries engaged in banking business)

The Group Companies' main financial liabilities are borrowings from financial institutions, of which borrowings at floating interest rates are exposed to interest rate risk.

Exposures associated with the Group Companies' financial liabilities are as follows:

(Millions of Yen)

	December 31, 2021	December 31, 2022
Bonds and borrowings	¥1,355,255	¥1,760,781
Floating interest rate	252,621	344,989
Fixed interest rate	1,102,634	1,415,792
Borrowings for securities business	207,505	157,542
Floating interest rate	18,505	18,542
Fixed interest rate	189,000	139,000
Bonds and borrowings for credit card business	733,852	812,738
Floating interest rate	150,120	165,774
Fixed interest rate	583,732	646,964

In respect of the above exposures, given all the risk variables remaining constant, except for interest rate risk, if all the key interest rates increased or decreased by 10 basis points (0.1%) for the years ended December 31, 2021 and 2022, loss (income) would be impacted as follows:

(Millions of Yen)

	December 31, 2021	December 31, 2022
Income before income tax		
In the event an increase of 0.1%	¥(289)	¥(529)
In the event a decrease of 0.1%	289	529

(Note) Within bonds and borrowings with floating interest rates for credit card business, the Group Companies have implemented interest rate swap transactions to reduce interest rate fluctuation risk, and the balances of fixed interests were ¥132,040 million and ¥139,810 million as of December 31, 2021 and 2022, respectively.

4) Price fluctuation risk

Of the equity instruments held by the Group Companies, marketable equity instruments are exposed to share price fluctuation risk. The Group Companies regularly check the market prices of their equity instruments and financial conditions of their issuers.

The Group Companies carried out a sensitivity analysis as follows, based on the price risk of equity instruments at the end of the year.

The impact on income (loss) and equity (before tax effect) for the years ended December 31, 2021 and 2022 in the event of a 5% rise or fall in share prices due to changes in fair value, excluding Lyft shares, are as follows:

(Millions of Yen)

	December 31, 2021	December 31, 2022
Income before income tax		
In the event a 5% rise	¥33	¥242
In the event a 5% fall	(33)	(242)
Accumulated other comprehensive income (before tax effect)		
In the event a 5% rise	200	199
In the event a 5% fall	(200)	(199)

The Company has concluded a derivative contract related to Lyft shares in accordance with the Prepaid Variable Share Forward Transactions of Shares of Lyft, Inc. The fair value of this derivative transaction is impacted by the share price of Lyft shares. Given all other variables remaining constant, in the event of a 10% rise or fall in the share price of Lyft shares, the impact on income (loss) is as follows:

(Millions of Yen)

	December 31, 2021	December 31, 2022
Income before income tax		
In the event a 10% rise	¥(13,454)	¥(3,795)
In the event a 10% fall	13,325	3,792

As for the fair value of Lyft shares, in the event of a 10% rise or fall in the share price, the impact on income (loss) is as follows:

(Millions of Yen)

	December 31, 2021	December 31, 2022
Income before income tax		
In the event a 10% rise	¥15,460	¥4,528
In the event a 10% fall	(15,496)	(4,569)

(Note) For details of the transactions, please refer to Note 26. Other Financial Liabilities.

5) Management of market risks for subsidiaries engaged in banking business

(Management of Interest Rate Risk)

At the Group Companies' certain subsidiaries engaged in the banking business, financial assets exposed to interest rate risk, which is a significant risk variable, are mainly investment securities for banking business and loans for banking business. Financial liabilities exposed to the impact of interest rate risk include ordinary deposits, general time deposits and new types of time deposits for individual and corporate customers, as well as foreign currency ordinary deposits, foreign currency time deposits and interest rate swap transactions as part of derivative transactions.

For these subsidiaries, the effect of present value of these financial assets and liabilities, given certain fluctuations in interest rates, is used in quantitative analysis as part of the process to manage interest rate risk.

In calculating the effect of present value, the corresponding financial assets and financial liabilities are classified into a fixed rate group and a floating rate group, and then the balance of each group is allocated to an appropriate period based on maturity with a fluctuation range of the interest rate for the period. Specifically, given all the other risk variables remaining constant, except for the interest rate risk, when all the key interest rates increase or decrease by 10 basis points (0.1%) for the years ended December 31, 2021 and 2022, the impact on present value is as follows:

(Millions of Yen)

	December 31, 2021	December 31, 2022
Income before income tax		
In the event a 0.1% increase	¥(274)	¥4,679
In the event a 0.1% decrease	274	(4,679)

(Note) These effects do not take into account correlations between interest rates and other risk variables, further foreign currency-denominated assets and liabilities are calculated in Japanese yen as translated by the exchange rates on December 31, 2021 and 2022. Additionally, the effects of a 10 basis point decline leading to negative interest rates in certain periods have not been excluded.

6) Management of market risks for subsidiaries engaged in insurance business

(Management of Market Risk)

At the Group Companies' subsidiaries engaged in the insurance business, financial assets exposed to exchange rate risk, interest rate risk and price fluctuation risk are mainly the investment securities for the insurance business. To manage these market risks, these subsidiaries engage in measurement and management of total risk exposure through stress testing, along with monitoring of the balance as well as unrealized gains/losses of the assets under management.

Such stress testing involves estimation of the risk exposure assuming market fluctuations beyond normal volatility.

48. Capital Management

The Group Companies' capital structure is as follows:

(Millions of Yen)

	December 31, 2021	December 31, 2022
Total liabilities	¥15,713,931	¥19,566,208
Less: Cash and cash equivalents	4,410,301	4,694,360
Net liabilities	11,303,630	14,871,848
Total equity	1,117,290	871,090

Certain subsidiaries of the Group Companies are required to maintain their capital-to-risk ratio and net assets, etc. above a certain level in accordance with the Japanese Financial Instruments and Exchange Act and other laws and regulations of a similar nature in foreign jurisdictions. Principal laws and regulations in each country and region applicable to the major subsidiaries are described in the chart as follows:

Country and region	Company name	Laws and regulations	Requirements
Japan	Rakuten Bank, Ltd.	Banking Law	Maintenance of minimum required equity ratio, etc.
	Rakuten Securities, Inc.	Financial Instruments and Exchange Act	Maintenance of minimum required capital-to-risk ratio, etc.
	Rakuten Life Insurance Co., Ltd.	Insurance Business Act	Maintenance of solvency margin ratio
	Rakuten General Insurance Co., Ltd.	Insurance Business Act	Maintenance of solvency margin ratio
Hong Kong	Rakuten Securities Hong Kong Limited	Securities and Futures Ordinance (Cap. 571)	Maintenance of minimum required capital, etc.
Europe	Rakuten Europe Bank S.A.	Capital Requirements Regulation (EU) No 575/2013	Maintenance of minimum required capital, etc.
Taiwan	Rakuten International Commercial Bank Co., Ltd.	Regulations Governing the Capital Adequacy and Capital Category of Banks	Maintenance of minimum required capital, etc.

Each subsidiary adequately meets the capital requirements under the laws and regulations of each country and region.

49. Related Parties

Related party transactions and their corresponding outstanding balances of receivables and payables between the Group Companies and other related parties are as follows. Although the subsidiaries are related parties of the Company, such transactions and the corresponding outstanding balances with subsidiaries are not subject to disclosure as they are eliminated for the purpose of Consolidated Financial Statements.

(1) Related Party Transactions

(Millions of Yen)

	Year ended December 31, 2021			Year ended December 31, 2022		
	Associates	Executives	Total	Associates	Executives	Total
Revenue	¥3,332	¥—	¥3,332	¥5,272	¥—	¥5,272
Operating expenses	7,182	—	7,182	17,793	—	17,793
Accounts receivable — trade	699	—	699	998	—	998
Other financial assets (Note 1)	3,872	66	3,938	5,595	99	5,694
Investments in associates and joint ventures (Note 2)	5,403	—	5,403	5,742	—	5,742
Property, plant and equipment	176	—	176	—	—	—
Intangible assets	5,919	—	5,919	—	—	—
Other assets	556	—	556	1,768	—	1,768
Accounts payable — trade	2,592	—	2,592	7,014	—	7,014
Deposits for banking business	220	537	757	2,855	580	3,435
Financial liabilities for securities business	—	128	128	—	13	13
Other financial liabilities	9,601	—	9,601	13,126	—	13,126
Other liabilities	16,416	5,325	21,741	86,605	—	86,605
Total amounts of assets succeeded (Note 3)	81,883	—	81,883	—	—	—
Total amounts of liabilities assumed (Note 3)	83,635	—	83,635	—	—	—
Guarantee obligations (Note 4)	10,507	—	10,507	9,211	—	9,211
Commitment (Note 5)	—	—	—	4,085	—	4,085

(Notes) 1. Allowance for doubtful accounts of ¥667 million and ¥687 million has been recorded against other financial assets for the years ended 2021 and 2022, respectively.

2. The investments in associates and joint ventures for the years ended 2021 and 2022 mainly refers to increased investments carried out by associate companies.

3. The total amounts of assets succeeded and liabilities assumed in the fiscal year ended December 31, 2021 are derived from a simple absorption-type split to allow JP Rakuten

Logistics, Inc. to succeed the business. Since the company split was a transaction under common control at the point of the split, assets and liabilities related to the split business were transferred at an appropriate book value immediately before the transfer without consideration. For details, please refer to Note 50. Business Combinations.

4. Guarantee obligations in the fiscal year ended December 31, 2021 and the fiscal year ended December 31, 2022 comprises the balance of guarantee obligations due to the lease liabilities of associates.
5. Commitments for the fiscal year ended December 31, 2022 comprise unused credit balance related to loan commitment lines with associates.

(2) Transactions with Companies in which Majority of Voting Rights are Held by the Group Companies' Executives, Principal Shareholders (Individuals) and their Close Relatives

(Millions of Yen)

	Year ended December 31, 2021	Year ended December 31, 2022
Revenue	¥—	¥20
Operating expenses (Note 1)	118	412
Other expenses	—	30
Deposits for banking business (Note 2)	1,442	1,663
Other financial liabilities	—	67
Other liabilities	—	38
Issuance of new shares through third-party allotment (Note 3)	10,000	—
Capital surplus (Note 4)	(70)	—
Other equity instruments (Note 5)	(19)	—

(Notes) 1. Operating expenses for the years ended December 31, 2021 and 2022 are attorneys' fees and expenses paid to Nishimura & Asahi etc., which are determined in the same manner as general terms of transactions.

2. Deposits for banking business for the years ended December 31, 2021 and 2022 are deposits received from Crimson Group, LLC etc.
3. In the fiscal year ended December 31, 2021, based on the resolution at the Board of Directors meeting held on March 12, 2021, the Company issued new shares through a third-party allotment comprising 4,366,800 shares each to Mikitani Kosan, Inc., and Spirit Inc, at ¥1,145 per share. This offer price per share is based on the simple average of the closing price of the shares of common stock of the Company on the Tokyo Stock Exchange, over one month up to the business day immediately before the date of the aforementioned resolution (from February 12, 2021 to March 11, 2021).
4. Capital surplus in the fiscal year ended December 31, 2021 consists of attorneys' fees and expenses paid to Nishimura & Asahi with respect to the issuance of new shares through a third-party allotment, based on terms and conditions similar to those of arm's length transactions. The amount after tax effect has been deducted from capital surplus, with the amount before tax effect being ¥101 million.
5. Other equity instruments in the fiscal year ended December 31, 2021 consists of attorneys' fees and expenses paid to Nishimura & Asahi with respect to the issuance of unsecured subordinated bonds with deferred interest clause, based on terms and conditions similar to those of arm's length transactions. The amount after tax effect has been deducted from other equity instruments, with the amount before tax effect being ¥27 million.

(3) Executive Compensation

Executive compensation is as follows:

(Millions of Yen)

	Year ended December 31, 2021	Year ended December 31, 2022
Short-term employee benefits (Note)	¥1,161	¥963
Share-based payments	701	581
Total	1,862	1,544

(Note) Executive compensation comprises compensation to the officers of Rakuten Group, Inc. and other executives. Short-term employee benefits include bonuses for those employees who serve concurrently as employees and Directors.

50. Business Combinations

During the year ended December 31, 2021

(1) Company Split Involving JP Rakuten Logistics, Inc.

i) Overview of the company split

On July 1, 2021, the Company and Japan Post Co., Ltd. invested in JP Rakuten Logistics, LLC (ownership ratio: Japan Post: 50.1%, the Company: 49.9%) upon conducting a simple absorption-type split to have its wholly-owned subsidiary JP Rakuten Logistics, LLC (currently JP Rakuten Logistics, Inc.) succeed rights and obligations in its logistics business (excluding a part of the business). As a result, JP Rakuten Logistics became the Company's associate accounted for using equity method in the third quarter of the fiscal year ended December 31, 2021.

ii) Assets and liabilities succeeded by JP Rakuten Logistics, Inc. through the company split (as of July 1, 2021)

(Millions of Yen)

Assets	
Property, plant and equipment	¥78,441
Others	3,442
Total assets	81,883
Liabilities	
Other financial liabilities	77,336
Others	6,299
Total liabilities	83,635

iii) Consideration for the company split and changes in cash and cash equivalents

No consideration was received in the company split and there were no changes to cash and cash equivalents.

(2) Business Combination with Altiostar Networks, Inc.

i) An overview of the business combination is as follows:

1) Name of the acquiree and business description

Name of the acquiree: Altiostar Networks, Inc.

Business description: Provision of solutions based on an advanced virtualized RAN software to enable development of cloud-native mobile networks compatible with 4G and 5G networks

2) Reason for the business combination

To make Altiostar Networks, Inc. a wholly-owned subsidiary with a view to fully utilizing its proprietary telecommunication technologies and accelerate the Group Companies' network development effort

3) Date of the business combination: August 4, 2021

4) Legal form of the business combination: Acquisition of shares

5) The Company's share of voting rights after the acquisition: 100%

6) Basis for determining the acquirer

The Company is the acquirer because it acquired shares in exchange for cash through its wholly-owned subsidiary Rakuten USA, Inc.

ii) Consideration for the acquisition and its breakdown

(Millions of Yen)

Consideration for acquisition:	
Cash	¥41,570
Contingent consideration	1,097
Total consideration for acquisition	42,667

iii) Cost for the acquisition

¥84 million is stated as cost for the acquisition under "Operating expenses".

iv) Assets and liabilities assumed on the date of the business combination were as follows:

	Fair value
Assets	
Cash and cash equivalents	9 million U.S. dollars
Intangible assets	230 million U.S. dollars
Others	26 million U.S. dollars
Total assets	265 million U.S. dollars
Liabilities	
Accounts payable — trade	9 million U.S. dollars
Others	27 million U.S. dollars
Total liabilities	36 million U.S. dollars
Net assets	229 million U.S. dollars

v) The amount of goodwill derived and its underlying factor are as follows:
1) The amount of goodwill derived: 791 million U.S. dollars
The amount of goodwill was finalized as allocation of purchase price when fair value measurement was completed in the fiscal year ended December 31, 2022.

2) Underlying factor
Goodwill derived based on a reasonable estimation of excess earning power expected from future business development.

vi) Gains on step acquisition
Equity interest in the acquiree held by the Group Companies prior to the acquisition date was remeasured at ¥69,196 million based on fair value as at the acquisition date. As a result of the business combination, a gain on step acquisition of ¥59,496 million was recognized as "Other income" in the Consolidated Statement of Income.

vii) Impact on the Group Companies
Assuming the business combination was effected at the beginning of the fiscal year ended December 31, 2021, its impact on the Group Companies' revenue and net loss is immaterial, and therefore statement is omitted.

During the year ended December 31, 2022
Business Combination with Robin Systems, Inc.
(1) An overview of the business combination is as follows:
i) Name of the acquiree and business description
Name of the acquiree: Robin Systems, Inc.
Business description: Provision of cloud-native functions that automate deployment, scaling, and life cycle management of enterprises and 5G applications on "Kubernetes"
ii) Reason for the business combination
To make Robin Systems, Inc. a wholly-owned subsidiary for the purpose of strengthening the collaborative relationship with Rakuten Symphony, to provide telecommunication carriers with end-to-end, fully automated cloud service
iii) Date of the business combination: April 1, 2022
iv) Legal form of the business combination: Acquisition of shares
v) The Company's share of voting rights after the acquisition: 100%
vi) Basis for determining the acquirer
The Company is the acquirer, because it acquired shares in exchange for cash through Rakuten Mobile USA LLC, a wholly-owned subsidiary of the Company.

(2) Consideration for the acquisition and its breakdown

(Millions of Yen)

Consideration for acquisition:	
Cash	¥31,243
Total consideration for acquisition	31,243

In addition to the above, retention bonuses paid of USD 40 million was recognized separately from the business combination, and this will be recorded under "Operating expenses" over four years.

(3) Cost for the acquisition
USD 7 million is stated as cost for the acquisition under "Operating expenses".

(4) Assets and liabilities assumed on the date of the business combination were as follows:

(Millions of Yen)

	Fair value
Assets	
Cash and cash equivalents	¥2,554
Other financial assets	1,844
Intangible assets	4,053
Others	787
Total assets	9,238
Liabilities	
Other financial liabilities	2,675
Deferred tax liabilities	1,094
Others	510
Total liabilities	4,279
Total equity	4,959

(5) The amount of goodwill derived and its underlying factor are as follows:

i) The amount of goodwill derived: ¥29,082 million
The amount of goodwill was finalized as allocation of purchase price when fair value measurement was completed in the fiscal year ended December 31, 2022.

ii) Underlying factor
Goodwill derived based on a reasonable estimation of excess earning power expected from future business development.

(6) Impact on the Group Companies
Assuming the business combination was effected at the beginning of the fiscal year ended December 31, 2022, its impact on the Group Companies' revenue and net income is immaterial, and therefore statement is omitted. The information on income (loss) assuming the business combination was effected at the beginning of the fiscal year ended December 31, 2022 was not audited by the Independent Auditor.

51. Major Subsidiaries

(1) Major Subsidiaries

Major subsidiaries of the Group Companies are as follows:

Name	Location	Capital	December 31, 2021		December 31, 2022	
			Voting rights ratio	Ownership	Voting rights ratio	Ownership
Internet Services Segment:						
Ebates Inc.	U.S.	0.1 U.S. dollar	100%	100%	100%	100%
Rakuten Kobo Inc.	Canada	920 million Canadian dollars	100%	100%	100%	100%
Viber Media S.a.r.l.	Luxembourg	217 thousand U.S. dollars	100%	100%	100%	100%
FinTech Segment:						
Rakuten Card Co., Ltd.	Tokyo	¥19,324 million	100%	100%	100%	100%
Rakuten Bank, Ltd.	Tokyo	¥25,954 million	100%	100%	100%	100%
Rakuten Securities, Inc.	Tokyo	¥19,496 million	100%	100%	80%	80%
Rakuten Life Insurance Co., Ltd.	Tokyo	¥7,500 million	100%	100%	100%	100%
Rakuten General Insurance Co., Ltd.	Tokyo	¥20,153 million	100%	100%	100%	100%
Rakuten Payment, Inc.	Tokyo	¥100 million	100%	100%	100%	100%
Mobile Segment:						
Rakuten Mobile, Inc.	Tokyo	¥100 million	100%	100%	100%	100%
Rakuten Energy, Inc.	Tokyo	¥31 million	100%	100%	100%	100%
Rakuten Symphony Singapore Pte. Ltd.	Singapore	353 million Singapore dollars	100%	100%	100%	100%

(2) Changes in Ownership

Fiscal year ended December 31, 2021

Not applicable.

Fiscal year ended December 31, 2022

The Group Companies sold some of their shares in Rakuten Securities, Inc. held by Rakuten Securities Holdings, Inc., one of the Company's subsidiaries, to Mizuho Securities Co., Ltd. in the fourth quarter ended December 31, 2022. As a result, the Group Companies decreased their voting rights ratio and ownership in Rakuten Securities, Inc. from 100% to 80%. The Group Companies continue to control Rakuten Securities, Inc. after the sale.

A summary of the transactions with non-controlling interests in connection with the share sale is as follows:

(Millions of Yen)

	Amount
Consideration for the share sale	¥80,000
Increase in non-controlling interests	(31,686)
Changes in equity attributable to owners of the Company	
Increase in capital surplus	48,378
Decrease in foreign currency translation adjustments	(35)
Decrease in financial assets measured at FVTOCI	(53)
Increase in remeasurement of retirement benefit plan	24

52. Structured Entities

(1) Consolidated Structured Entities

The Group Companies securitize receivables using trusts, conduct investments through investment funds, and consolidate such structured entities.

These trusts and investment funds, etc. for securitization and other funds are structured entities, which have been designed so that voting or similar rights are not the dominant factor in deciding who controls these entities. Accordingly, it is determined that the Group Companies have control over these structured entities.

In accordance with the contractual arrangements with the structured entities, use of assets and settlement of liabilities of these consolidated structured entities are restricted to the purposes for which they are structured.

The carrying amounts of assets and liabilities of the consolidated structured entities are as follows:

Carrying amounts of assets and liabilities of the consolidated structured entities

(Millions of Yen)

	December 31, 2021	December 31, 2022
Assets		
Cash and cash equivalents	¥2,659	¥3,159
Loans for credit card business	35,922	38,082
Investment securities	101,678	104,684
Other financial assets	8,617	968
Investments in associates and joint ventures	9,692	9,692
Property, plant and equipment	26,330	30,968
Others	250	14,835
Total assets	185,148	202,388
Liabilities		
Bonds and borrowings for credit card business	28,405	24,531
Others	905	2,225
Total liabilities	29,310	26,756

(2) Unconsolidated Structured Entities

The Group Companies engage in investment activities involving structured entities as part of their banking business and other businesses as well as insurance business. These structured entities handle securitized products that are set up by third parties and collateralized assets including monetary claims such as auto loans, consumer loans and bonds, various real estates, derivatives, and other bonds. The Group Companies have interests in these structured entities through trust beneficiary interests, etc. The risks of these products are managed regularly on an individual basis under the group management regulations for the banking business and other businesses as well as insurance business, for early recognition and mitigation of the risk of default resulting from deterioration of the debtors' financial conditions and other factors.

The Group Companies do not provide any guarantees or commitments to these structured entities. As a result, the maximum exposure to loss associated with the Group Companies' interests in these unconsolidated structured entities is limited to the carrying amount of the trust beneficiary interests, etc. held therein. The maximum exposure to loss represents the potential maximum loss the Group Companies could incur and does not reflect the likelihood of such a loss being incurred.

The following table shows the summary of the Group Companies' maximum exposure to loss from its interests in these structured entities by class of asset held therein.

Carrying amount of unconsolidated structured entities and maximum exposure to loss from interests in such entities

(Millions of Yen)

Consolidated Statement of Financial Position	Class of asset held by structured entities	December 31, 2021	December 31, 2022
Investment securities for banking business	Securitization products set up by third parties		
	Monetary claims for individual customers	¥90,092	¥84,128
	Lease receivables	28,718	37,740
	Public bonds	512	7,334
	Real estate	39,221	36,766
	Others	1,018	7,542
Loans for banking business	Securitization products set up by third parties		
	Monetary claims for individual customers	66,693	122,672
	Real estate	6,624	145,177
	Public bonds	126,740	534,241
Investment securities for insurance business	Securitization products set up by third parties		
	Monetary claims for individual customers	4,517	3,853
	Real estate	151,380	117,134
	Others	12,007	10,198
Other financial assets	Securitization products set up by third parties		
	Real estate	175	390
Total		527,697	1,107,175

53. Subsequent Events
Issuance of bonds
The Company issued the following USD-denominated bonds on January 20, 2023.

	USD-denominated unsecured bonds maturing in November 2024 (Note)
Total issuance amount	USD 450 million
Issuance price	97.500% of face value
Interest rate (%)	10.250% per year
Maturity date	November 30, 2024
Redemption method	Lump-sum redemption at maturity
Payment date	January 20, 2023
Purpose of use	Funds for investments and loans to Rakuten Mobile, Inc. and repayment of existing interest-bearing debt

(Note) Incremental issuance of USD-denominated unsecured bonds maturing in November 2024 (issued November 30, 2022). For details, please refer to Note 21. Bonds and Borrowings.

The Company issued the following unsecured bonds on February 10, 2023.

	Rakuten Group, Inc. 22nd Unsecured Bonds (subject to a limited inter-bond pari passu clause)
Total issuance amount	¥250,000 million
Issuance price	¥100 per ¥100 of the amount of each bond
Interest rate (%)	3.30% per year
Maturity date	February 10, 2025
Redemption method	Lump-sum redemption at maturity
Payment date	February 10, 2023
Purpose of use	Funds for investments and loans to Rakuten Mobile, Inc.

54. Classification of Current and Non-current

As of December 31, 2021

(Millions of Yen)

	Collection or settlement period		Total
	12 months or less	Over 12 months	
Assets			
Cash and cash equivalents	¥4,410,301	¥—	¥4,410,301
Accounts receivable — trade	287,951	19,870	307,821
Financial assets for securities business	3,088,341	203	3,088,544
Loans for credit card business	1,828,726	559,722	2,388,448
Investment securities for banking business	41,882	417,222	459,104
Loans for banking business	954,160	1,574,635	2,528,795
Investment securities for insurance business	17,979	272,476	290,455
Derivative assets	29,303	15,753	45,056
Investment securities	13,617	267,562	281,179
Other financial assets	399,924	242,726	642,650
Investments in associates and joint ventures	—	68,991	68,991
Property, plant and equipment	—	975,362	975,362
Intangible assets	—	858,997	858,997
Deferred tax assets	—	225,100	225,100
Other assets	155,457	104,961	260,418
Total assets	11,227,641	5,603,580	16,831,221
Liabilities			
Accounts payable — trade	392,455	—	392,455
Deposits for banking business	6,826,416	21,954	6,848,370
Financial liabilities for securities business	3,032,996	—	3,032,996
Derivative liabilities	8,732	16,093	24,825
Bonds and borrowings	237,344	1,117,911	1,355,255
Borrowings for securities business	189,000	18,505	207,505
Bonds and borrowings for creditcard business	433,376	300,476	733,852
Borrowings for banking business	484,500	621,800	1,106,300
Other financial liabilities	944,547	470,821	1,415,368
Income taxes payable	13,499	—	13,499
Provisions	188,589	9,674	198,263
Insurance business policy reserves	—	247,911	247,911
Employee retirement benefit liabilities	—	29,752	29,752
Deferred tax liabilities	—	2,488	2,488
Other liabilities	104,267	825	105,092
Total liabilities	12,855,721	2,858,210	15,713,931

As of December 31, 2022

(Millions of Yen)

	Collection or settlement period		Total
	12 months or less	Over 12 months	
Assets			
Cash and cash equivalents	¥4,694,360	¥—	¥4,694,360
Accounts receivable — trade	351,197	12,989	364,186
Financial assets for securities business	3,430,544	232	3,430,776
Loans for credit card business	2,198,285	577,759	2,776,044
Investment securities for banking business	66,314	850,337	916,651
Loans for banking business	996,316	2,511,243	3,507,559
Investment securities for insurance business	23,484	246,383	269,867
Derivative assets	57,833	123,273	181,106
Investment securities	3,645	157,426	161,071
Other financial assets	917,409	296,528	1,213,937
Investments in associates and joint ventures	—	77,541	77,541
Property, plant and equipment	—	1,262,115	1,262,115
Intangible assets	—	974,372	974,372
Deferred tax assets	—	281,950	281,950
Other assets	190,775	134,988	325,763
Total assets	12,930,162	7,507,136	20,437,298
Liabilities			
Accounts payable — trade	450,562	—	450,562
Deposits for banking business	8,398,062	21,035	8,419,097
Financial liabilities for securities business	3,494,467	—	3,494,467
Derivative liabilities	24,877	10,850	35,727
Bonds and borrowings	496,795	1,263,986	1,760,781
Borrowings for securities business	139,000	18,542	157,542
Bonds and borrowings for creditcard business	457,293	355,445	812,738
Borrowings for banking business	4,289	2,177,400	2,181,689
Other financial liabilities	1,062,331	564,969	1,627,300
Income taxes payable	18,139	—	18,139
Provisions	228,041	14,868	242,909
Insurance business policy reserves	—	200,545	200,545
Employee retirement benefit liabilities	—	34,743	34,743
Deferred tax liabilities	—	4,709	4,709
Other liabilities	125,199	61	125,260
Total liabilities	14,899,055	4,667,153	19,566,208

(2) [Others]

Quarterly Information for the current fiscal year

(Millions of Yen, unless otherwise stated)

(Cumulative period)	3 months ended March 31, 2022	6 months ended June 30, 2022	9 months ended September 30, 2022	Year ended December 31, 2022
Revenue	¥437,127	¥893,598	¥1,364,708	¥1,927,878
Loss before income tax	(118,681)	(214,487)	(312,058)	(407,894)
Net loss	(92,095)	(178,163)	(260,532)	(375,911)
Basic losses per share (Yen)	(57.76)	(111.47)	(162.76)	(235.00)

(Each quarter)	1st quarter	2nd quarter	3rd quarter	4th quarter
Basic losses per share (Yen)	¥(57.76)	¥(53.72)	¥(51.30)	¥(72.20)

English Translation

Independent Auditor’s Report

March 30, 2023

The Board of Directors
Rakuten Group, Inc.

Ernst & Young ShinNihon LLC
Tokyo, Japan

Takeshi Saida
Designated Engagement Partner
Certified Public Accountant

Isamu Ando
Designated Engagement Partner
Certified Public Accountant

Kenji Kuroki
Designated Engagement Partner
Certified Public Accountant

<*Financial Statements Audit*>

Opinion

Pursuant to Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act, we have audited the accompanying consolidated financial statements of Rakuten Group, Inc. and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), as provided for in Article 93 of the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Assessment of indications of impairment of property, plant and equipment and intangible assets of Rakuten Mobile, Inc.	
Description of Key Audit Matter	**Auditor's Response**
As of December 31, 2022, the Group recorded property, plant and equipment and intangible assets of ¥2,236,487 million in its consolidated statement of financial position, which represents 10.9% of consolidated total assets. This included ¥1,134,671 million recorded by Rakuten Mobile, Inc., which corresponds to approximately 6% of consolidated total assets. As a result of activities such as construction of base stations for the mobile network operator business, which launched its business on a full-scale in April 2020, as well as sales promotion for acquiring new customers, Rakuten Mobile, Inc. has recorded operating losses consecutively since the launch of the business. The Group assesses whether there are indications of impairment of property, plant and equipment and intangible assets of Rakuten Mobile, Inc. in accordance with IAS 36, and determined that there were no indications of impairment in the current fiscal year. The Group uses the business plan and	We assessed whether there is an indication of impairment of the property, plant and equipment and intangible assets of Rakuten Mobile, Inc. by involving its audit team to assist us in performing primarily the following audit procedures: • We obtained an understanding of the process for the development of business plans and evaluated the effectiveness of internal controls related to the identification of any indication of impairment of property, plant and equipment and intangible assets. • We assessed the key assumptions used in assessing whether there is an indication of impairment, namely average revenue per user, number of new users and churn rate used in the business plan, by holding discussions with management on the actual trends and the future feasibility of the business plan in consideration of the operating environment, comparing the key assumptions with market forecasts and available external information, and

results for the current fiscal year in assessing indications of impairment. The business plan is sensitive to changes in key assumptions, namely average revenue per user, number of new users, and churn rate, and these assumptions are affected by the future market environment and competition with peers. Accordingly, given that the assessment of indications of impairment of property, plant and equipment and intangible assets of Rakuten Mobile, Inc. requires management to exercise judgment, we have determined this matter as a key audit matter.	performing historical trend analysis. • We compared the key assumptions that were used in formulating business plans in prior fiscal years with actual results, analyzed factors resulting in divergence, and evaluated the impact on management's judgment at the end of the current fiscal year. • We considered whether the business plan that is used for assessing indications of impairment of property, plant and equipment and intangible assets is consistent with the business plan that was approved and reported at the meeting of the Board of Directors, as well as with the business plan that is used for assessing the recoverability of deferred tax assets.

Recoverability of deferred tax assets of Rakuten Mobile, Inc. related to the Japanese Group Relief System	
Description of Key Audit Matter	**Auditor's Response**
As of December 31, 2022, the Group recorded deferred tax assets of ¥281,950 million in its consolidated statement of financial position. As stated in the Notes to the Consolidated Financial Statements, "Income Tax Expense", the Group adopts the consolidated taxation system in Japan and since the Japanese Group Relief System replaces the consolidated taxation system in the next fiscal year, deferred tax assets are recognized on the basis of application of the Japanese Group Relief System. The Group recorded deferred tax assets on the tax losses carried forward of ¥220,968 million, most of which were recorded for Rakuten Mobile, Inc. The Group determines the recoverability of deferred tax assets for deductible temporary differences and tax losses carried forward attributable to Rakuten Mobile, Inc. by estimating taxable income based on the future profitability of Rakuten Mobile, Inc. and	We assessed the recoverability of deferred tax assets of Rakuten Mobile, Inc. by involving its audit team to assist us in performing primarily the following audit procedures: • We obtained an understanding of the process for the development of business plans and evaluated the effectiveness of the relevant internal controls. • Regarding the balance of deductible temporary differences and tax losses carried forward, we examined the schedule of the fiscal years in which they are expected to be reversed. • We assessed the key assumptions, namely average revenue per user, number of new users and churn rate used in the business plan, by holding discussions with management on the actual trends and the future feasibility of the business plan in consideration of the operating environment, comparing the key assumptions with market forecasts and

companies in the Japanese Group Relief System. The estimation of taxable income based on the future profitability of Rakuten Mobile, Inc. is important in determining the recoverability of deferred tax assets in the group. Such estimation is based on the business plan and results for the current fiscal year, and the key assumptions used in the plan are mainly average revenue per user, number of new users, and churn rate, which are most sensitive and impacted by the future market environment and competition with peers. Given that key assumptions used in the business plan are subject to uncertainty and, the assessment of the recoverability of deferred tax assets, including comparison with actual results, requires management to exercise judgment, we have determined that the recoverability of deferred tax assets of Rakuten Mobile, Inc. is a key audit matter.	available external information, and performing historical trend analysis. • We compared the key assumptions that were used in formulating business plans in prior fiscal years with actual results, analyzed factors resulting in divergence, and evaluated the impact of the key assumptions on management's judgment at the end of the current fiscal year. • We considered whether the business plan that is used for assessing the recoverability of deferred tax assets is consistent with the business plan that was approved and reported at the meeting of the Board of Directors, as well as with the business plan that is used for assessing indications of impairment of property, plant and equipment and intangible assets held by Rakuten Mobile, Inc.

Other Information

The other information comprises the information included in the Annual Securities Report (Yukashoken-Hokokusho) that contains audited consolidated financial statements but does not include the consolidated financial statements and our auditor's report thereon. Management is responsible for preparation and disclosure of the other information. The Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Group's reporting process of the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management, the Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by IFRSs, matters related to going concern.

The Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with IFRSs.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit & Supervisory Board Members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the consolidated financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit & Supervisory Board Members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Note to the Readers of Independent Auditor’s Report:

This is extracted and translated from the Independent Auditor’s Report as required by Financial Instruments and Exchange Act for the conveniences of the readers.