

# Impact of IFRS Introduction Toward Rakuten Group

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Accounting & Finance Departments, Rakuten Inc.

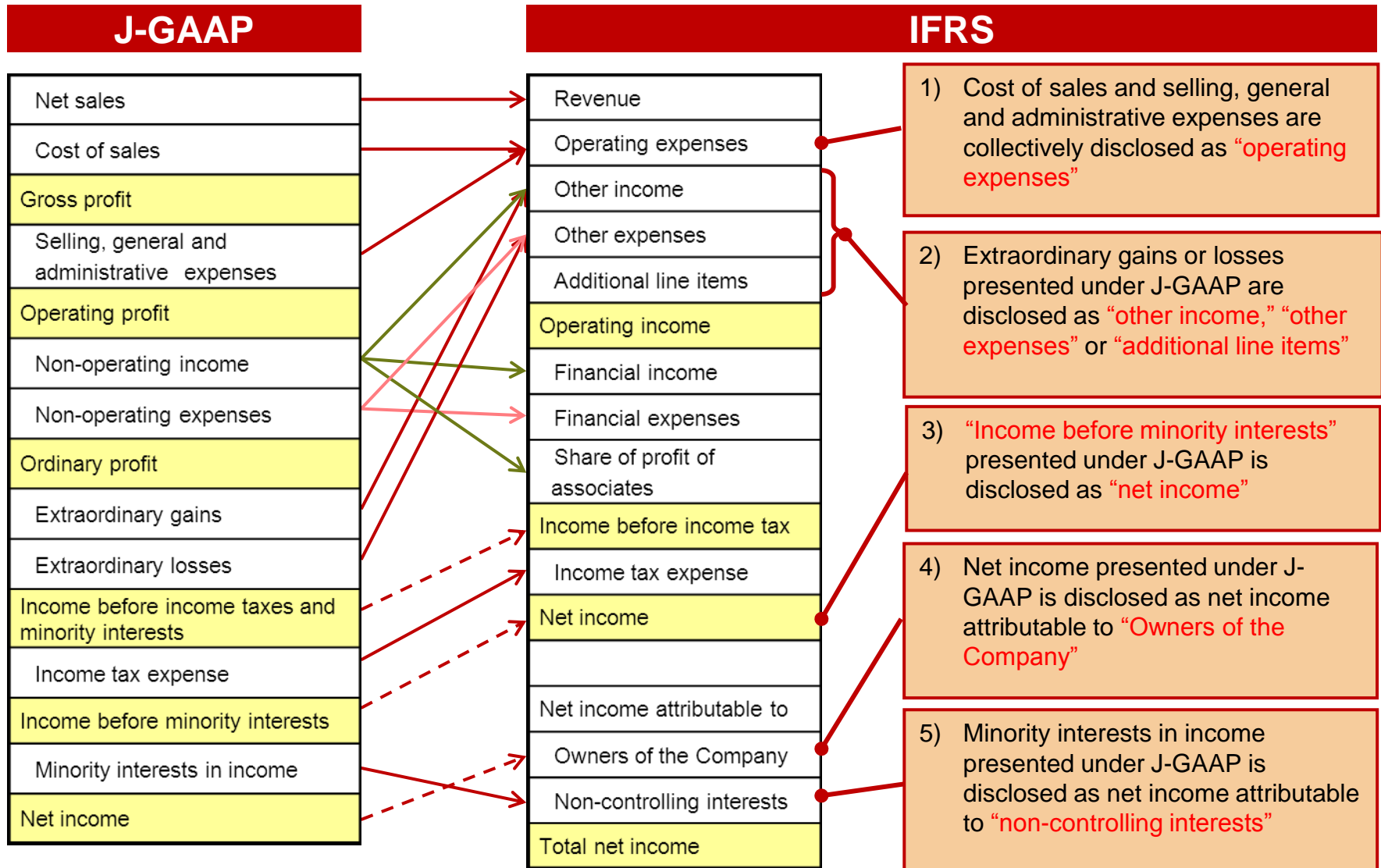
<http://global.rakuten.com/corp/>

# Disclaimer

- In this presentation, FY2012 and FY2011 earnings are presented both in IFRS and J-GAAP. IFRS earnings are different with J-GAAP based figures.
- This presentation material includes expressions that are different with actual transactions and accounting treatments in order to facilitate readers' understanding.

# 1 : Major GAAP Differences

# Structure of Income Statement



# GAAP Differences

## J-GAAP

Income Statement*	FY2011	FY2012
Net Sales	379,900	443,474
Operating Profit	70,789	72,259
Ordinary Profit	68,267	71,514
Net Income (Loss)	-2,287	19,413

## IFRS

(JPY mm)

Income Statement	FY2011	FY2012
Revenue	346,425	400,444
Operating income before additional line items	76,136	78,793
Additional line items (FY11: Loss on business restructuring of Rakuten KC, FY12: Loss of Impairment & Re-organization)	-75,492	-28,738
Operating income	644	50,055
Profit (Loss) before income tax	-1,185	49,106
Net income	9,631	21,136
Net income attributable to Owners of the Company	7,986	20,489

Similar to Net Income of J-GAAP

\*: After retrospective application of the revised accounting policy for loyalty points

: J-GAAP Round-down

: IFRS Round-off

# Differences in Revenue Recognition

## J-GAAP

## IFRS

### Gross / Net reporting of revenue

- No clear standard
- Reporting on a “Net” basis, in case of agency transactions
  - ✓ No inventory risk (Books)
  - ✓ No pricing control (Books)
  - ✓ No credit risk  
(Acquiring fee of Rakuten Card)

### Point Costs in Domestic Market

- Treated as expense in SG&A expenses
- Cost is deducted from revenue, if point vesting is linked with revenue

#### Impact Exists

- ✓ Rakuten Card
- ✓ Package Media

#### No Impact

- ✓ Rakuten Ichiba  
(Standard point of 1% is merchants' expense)

# GAAP Differences in FY2012 Income Statement

(JPY mm)

GAAP Differences	FY2012 Consolidated Income Statement				
	Revenue	Operating expenses	Operating profit	Profit before income tax	Net income
<b>Reclassified Figures under J-GAAP *</b>	443,474	371,214	47,714	46,698	19,413
Termination of goodwill amortization		-8,006	8,006	8,006	8,006
Impairment of goodwill			-6,144	-6,144	-6,144
Net reporting of package media	-13,558	-13,558			
Net reporting of card acquiring	-7,523	-7,523			
Net reporting of point expenses	-19,623	-19,623			
Financial products	-1,496	-1,167	301	-604	-362
Others	-830	-1,902	178	1,150	-424
<b>Figures under IFRS</b>	400,444	319,435	50,055	49,106	20,489

\*: Re-classify J-GAAP items to IFRS items

: J-GAAP Round-down

: IFRS Round-off

# Structure of Balance Sheet (Net Assets)

## J-GAAP

Net assets
Shareholders' equity
Common stock
Capital surplus
Retained earnings
Treasury stock
<b>Total shareholders' equity</b>
Accumulated other comprehensive Income
Valuation difference on available-for sale securities
Deferred gains or losses on hedges
Foreign currency translation adjustments
<b>Total accumulated other comprehensive incomes</b>
Subscription rights to shares
Minority interests
<b>Total net assets</b>
<b>Total liabilities and net assets</b>

## IFRS

- No distinction between current and non-current items

Net assets
Equity attributable to owners of the Company
Common stock
Capital Surplus
Retained earnings
Treasury stock
Other components of equity
<b>Total shareholders' equity</b>
Non-controlling interests
<b>Total net assets</b>
<b>Total liabilities and net assets</b>



# GAAP Differences

## J-GAAP

Balance Sheet	FY11-Beg	FY11-End	FY12-End
Total assets	1,951,440	1,915,892	2,108,409
Total net assets	246,422	231,025	262,451

\*: J-GAAP Rounded-down  
 : IFRS Rounded-off

## IFRS

(JPY mm)

Balance Sheet	FY11-Beg	FY11-End	FY12-End
Total assets	2,052,571	1,959,765	2,287,634
Total net assets	217,459	212,346	241,912

# GAAP Differences in FY2012 Balance Sheet

(JPY mm)

GAAP Differences	FY2012 Consolidated Balance Sheet		
	Total assets	Total liabilities	Total net assets
<b>Figures under J-GAAP</b>	<b>2,108,409</b>	<b>1,845,957</b>	<b>262,451</b>
Difference in goodwill	-23,163		-23,163
Gross revenue reporting of securities business	220,332	220,332	
On-balance of securitized assets	-6,222	-3,026	-3,196
Others	-11,722	-17,541	5,820
<b>Figures under IFRS</b>	<b>2,287,634</b>	<b>2,045,722</b>	<b>241,912</b>

- Despite on-balance impact of securitization, the amount of securitized assets on IFRS balance sheet declines due to difference in valuation
  - ✓ J-GAAP: Market value as Investment securities for banking business
  - ✓ IFRS: Amortized cost as Loans for credit card business

## 2: Business Segments

# Operating Segments

(JPY mm)

	FY2011	FY2012		FY2011	FY2012
<b>Segment revenue</b>	<b>403,904</b>	<b>475,515</b>	<b>Segment profit</b>	<b>79,696</b>	<b>83,939</b>
Internet Services	228,568	285,815	Internet Services	65,584	58,639
Internet Finance	141,161	156,430	Internet Finance	12,970	23,714
Others	34,175	33,270	Others	1,142	1,586
Intercompany transactions, etc	-24,003	-32,040	Amortization of goodwill and other items not allocated to reporting segments	-8,907	-11,680
<b>Sub-Total</b>	<b>379,901</b>	<b>443,475</b>	<b>Sub-Total</b>	<b>70,789</b>	<b>72,259</b>
Differences between accounting standards of J-GAAP and IFRS	-33,476	-43,031	Differences between accounting standards of J-GAAP and IFRS	10,173	8,750
<b>Consolidated revenue under IFRS</b>	<b>346,425</b>	<b>400,444</b>	Other income	1,178	3,365
			Other expenses	-6,004	-5,581
			Additional line items	-75,492	-28,738
			<b>Consolidated operating income under IFRS</b>	<b>644</b>	<b>50,055</b>

Segment earnings disclosed under J-GAAP

\*: J-GAAP Rounded-down  
: IFRS Rounded-off

# Change of Segments

- Segment revenue and profit of FY12 under IFRS are unchanged, because managerial accounting was based on J-GAAP
- Managerial accounting will adopt IFRS from Q1/13
- Based on management approach, segment information will also change from Q1/13
  - ✓ New segment information is not consistent with disclosure under J-GAAP

# Adjustments

- Termination of periodical amortization of goodwill lowers expenses
- Difference in book value associated with floating-rate sovereign bonds does not occur under IFRS
  - ✓ The bonds were completely sold in Q1/13

(JPY mm)

	FY12 Consolidated Income Statements
	Adjustments
<b>Figures under J-GAAP</b>	<b>-11,679</b>
Amortization of goodwill	-7,686
Difference in book value (floating-rate JGBs held by Rakuten Bank)	-2,836
Others (mostly elimination of inter company transactions)	-1,157

# Internet Service Business

# Internet Services

Rakuten Ichiba	Revenue	Operating Expenses	Operating Income
	Little Change	Little Change	Little Change

- No impact from change in point accounting; merchant vests 1% base point

Package Media	Revenue	Operating Expenses	Operating Income
	Decrease	Decrease	Little Change

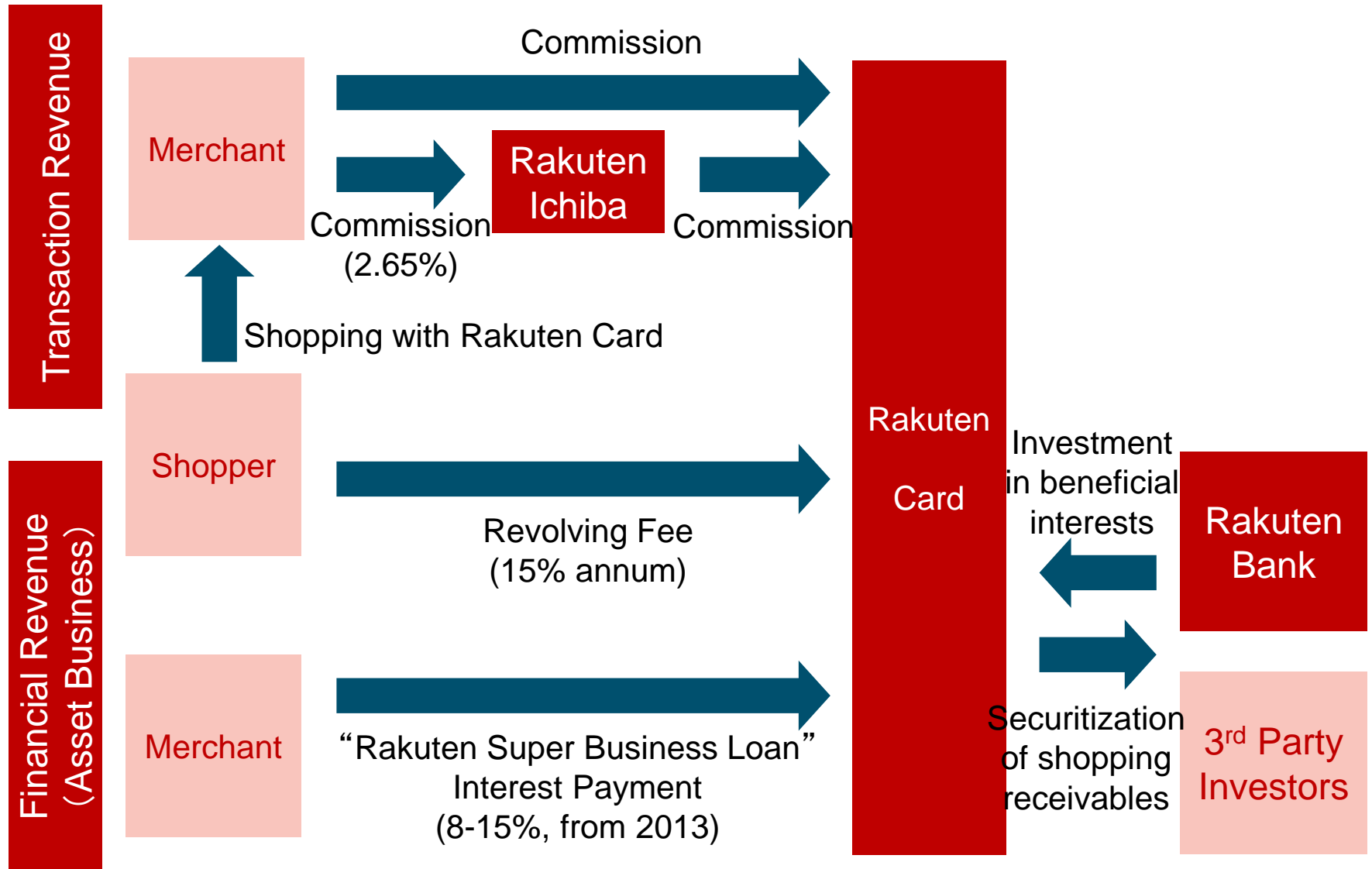
- Net reporting of revenue
  - ✓ Gross profit equivalent under J-GAAP is booked as revenue
- Point expenses are deducted from revenue and operating expenses

Overseas ECs and Kobo	Revenue	Operating Expenses	Operating Income
	Little Change	Little Change	Little Change



# Credit Card Business

# Financial Flow within Rakuten Group



# Major Changes in Credit Card Business

Revenue	Operating Expenses	Operating Income	Total Assets
Decrease	Decrease	Basically Unchanged	Significant Increase

## PL

- Point expenses are deducted from revenue and operating expenses
  - ✓ Neutral impact on operating income
- Net reporting of acquiring revenue and cost of sales
- Valuation gain associated with securitization is eliminated
  - ✓ Operating income is mostly similar with “operating profit excluding effect of securitization”, disclosed in presentation material (power point)
- Criteria of credit monitoring unchanged

## BS

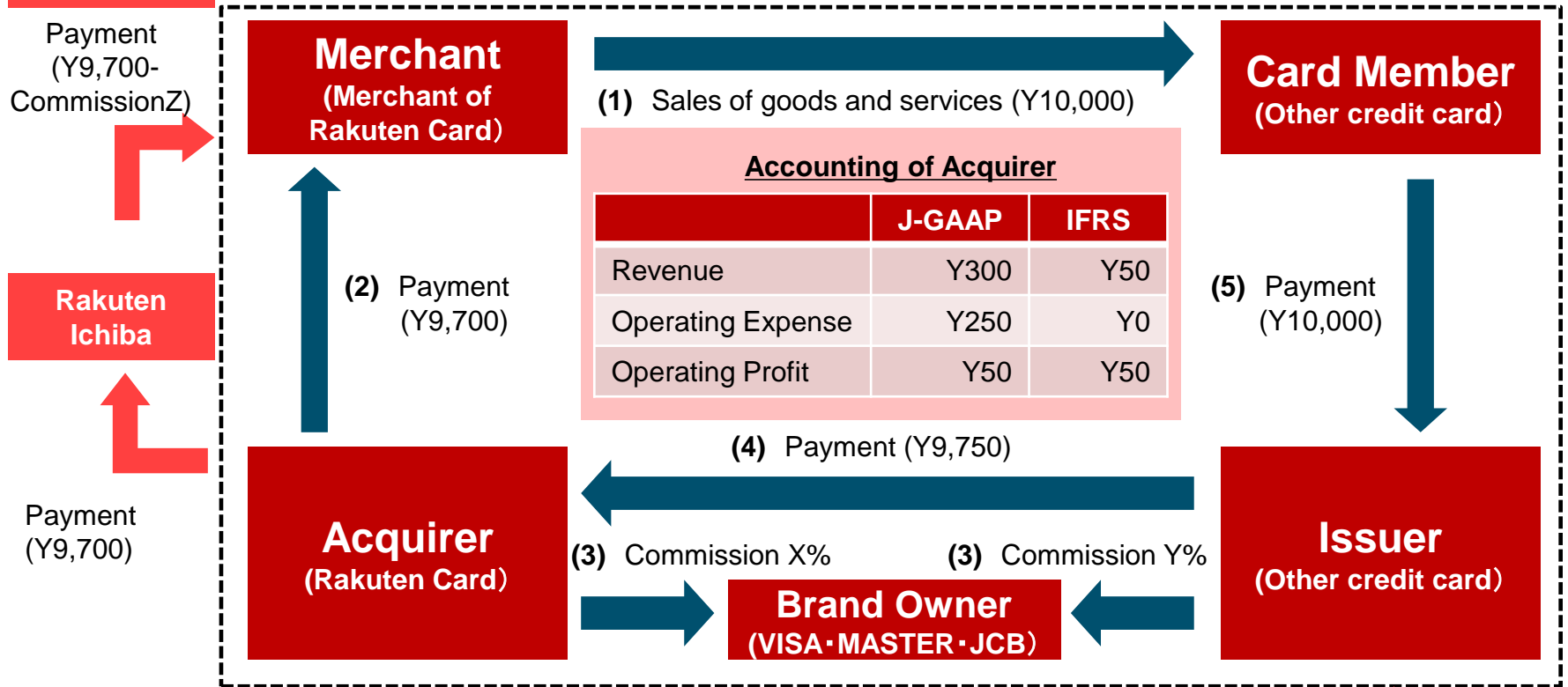
- On-balance securitized off-balanced assets
- Recognize liabilities, which is equivalent with on-balanced loans (Such as loans invested by Rakuten Bank)
- Some accounts receivable (asset) and payable (liability) are netted and decline

# Net Reporting of Acquiring Revenue

Case: Sale at Rakuten Ichiba

E.g.

- Customer pays Y10,000 with credit card issued by 3<sup>rd</sup> party at merchant of Rakuten Card
- Assumption: Acquirer's fee Y50, Issuer's fee Y250, Total fee Y300

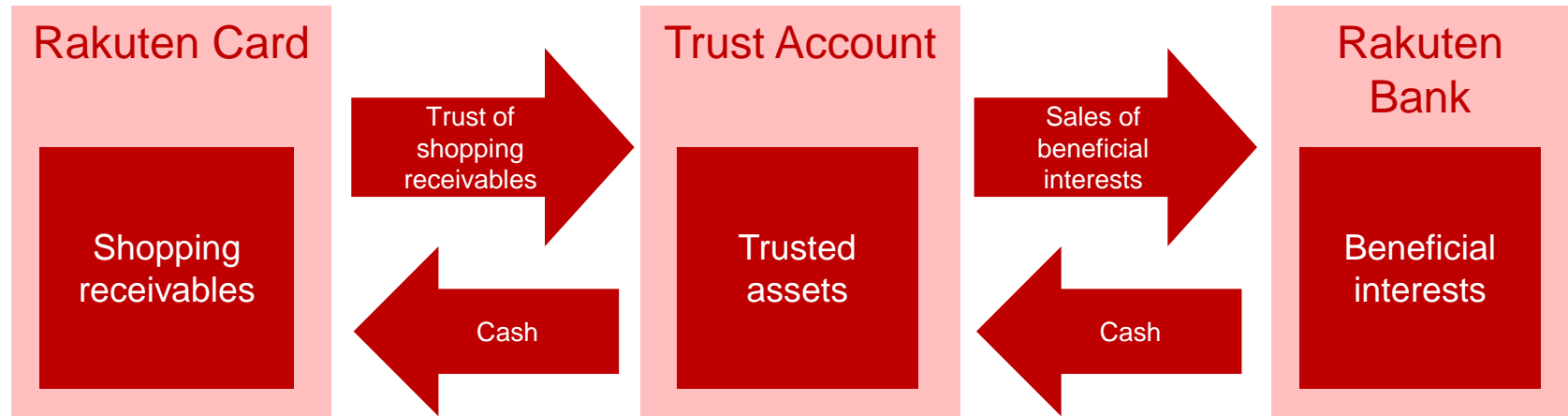


\*: Flowchart is illustrative, Figures are example

Case: Rakuten Card as Issuer

Recognize additional commission fee of Y250 (Direct transaction with merchant)

# On-balance of Securitized Assets (Revolving Balance)



## J-GAAP

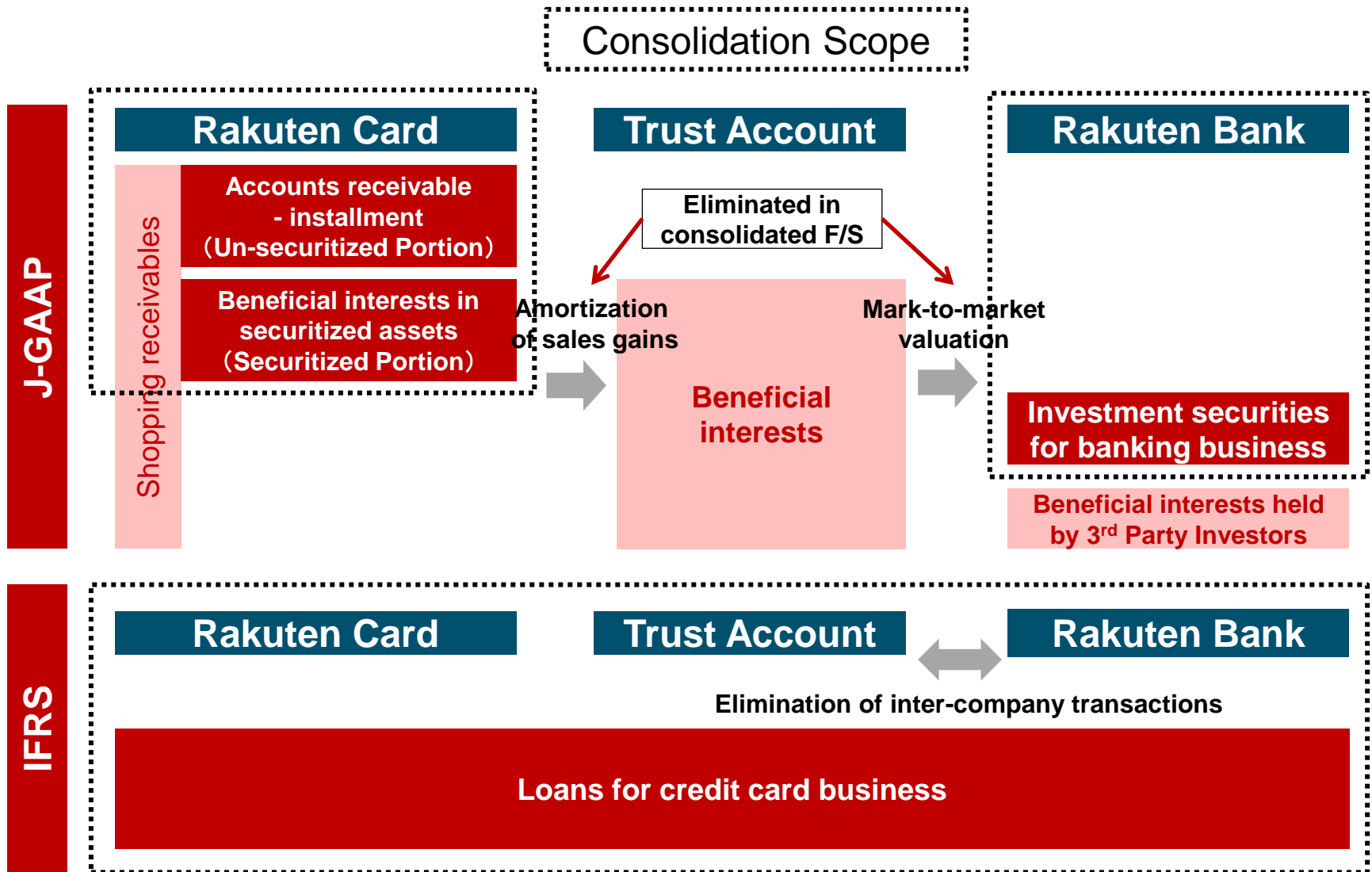
- Trust account is not consolidated
- Among securitized trust beneficiary interests, investments by Rakuten Bank remains on-balanced as “investment securities for banking business” in consolidated financial statements

## IFRS

- Trust account is consolidated
- Securitized assets are on-balanced as “loans for credit card business”

\*: Illustration above is one example of various securitization schemes

# Consolidated Accounting of Securitization (Revolving Balance)



# On-balance of Securitized Assets (Monthly-Cleared Balance)

## J-GAAP

- On-balance scheme is major securitization method
  - ✓ Migrating from off-balance to on-balance scheme since Q2/12

## IFRS

- Securitized assets are on-balanced

Differences in securitization impact  
of monthly-cleared balance  
between J-GAAP and IFRS are limited

# Deferred Tax Assets

## Deferred Tax Assets (B/S)

(JPY mm)

	Beg of Jan 2011	End of Dec 2011	End of Dec 2012
J-GAAP	19,730	14,764	11,399
IFRS	25,105	17,670	13,601
Differences	5,375	2,906	2,202
1) Collectability other than deficit	3,387	752	65
2) Collectability of cumulative deficit	-	1,485	285
3) GAAP differences	1,988	669	1,852

1) Under J-GAAP, Rakuten Card recognizes deferred tax assets for taxable items that can be scheduled for five years ahead. Under IFRS, probabilities of future taxable income are also considered in addition to tax scheduling

2) Based on principle 1), collectability of cumulative deficit is maximum 5 years under J-GAAP, while IFRS can extend to available period of cumulative deficit (either 7 or 9 years)

3) Major GAAP differences are consolidation of SPE (valuation gain at securitization is taxable income) and deferral of annual membership fee (taxable income at receipt)



# Banking Business

# Major Changes in Banking Business

Revenue	Operating Expenses	Operating Income	Total Assets
Slight Decrease	Slight Decrease	Slight Decrease	Little Change

PL

- Timing to recognize sales gain on floating-rate sovereign bonds are different

BS

- Amount of total assets is mostly unchanged, but classification of financial instruments significantly changes

# Floating-Rate Sovereign Bonds held by Rakuten Bank

## J-GAAP

- At time of acquisition of Rakuten Bank, Rakuten consolidated floating-rate sovereign bonds held by Rakuten Bank at market value (theoretical value)
- Book value recognized by Rakuten Bank was unchanged
- Most bonds sales gains recognized by Rakuten Bank are adjusted in “Adjustments” segment in consolidated financial statements, due to difference in carrying value

## IFRS

- Difference between book value recognized by Rakuten Bank and market value on IFRS adoption date was directly reflected in net assets without being recognized in PL on IFRS adoption date
- After adoption date, change in market value is measured at FVtPL

Floating-rate sovereign bonds were completely sold in Q1/13

# GAAP Differences in FY2012 Balance Sheet

(JPY mm)

J-GAAP	Classification	Securities for banking business	Short-term investment securities / Investment securities	Total
	Held-to-maturity securities	23,549	6,849	30,398
	Trading securities	-	441	441
	Available-for-sale securities	405,126	13,535	418,661
	Total	428,676	20,825	449,500

\*: Excluding investment securities under J-GAAP which are treated as cash & cash equivalents under IFRS

Decrease as securitized beneficial interests are on-balanced

IFRS	Classification	Investment securities for banking business	Investment securities ex. banking business	Total	
	AC	251,184	7,639	258,823	Fixed rate sovereign bonds Municipal bonds Foreign bonds Beneficial interests etc.
	FVtPL	45,142	50	45,192	Floating rate sovereign bonds Foreign bonds Beneficial interests etc.
	FVtOCI	0	15,722	15,722	Stocks of non-listed companies and others
	Total	296,326	23,411	319,737	

# Decrease in Market Fluctuation Risk

(JPY mm)

Investment securities for banking business	FY11 -Beg	FY11 -End	FY12 -End	Investment securities ex. banking business	FY11 -Beg	FY11 -End	FY12 -End
AC	290,224	269,596	251,184	AC	3	1,607	7,639
FVtPL	194,216	154,286	45,142	FVtPL	48,925	50	50
FVtOCI	90	72	0	FVtOCI	10,826	9,306	15,722
Total	484,530	423,954	296,326	Total	59,754	10,963	23,411

Despite IFRS's requirement of fair value recognition, PL impact caused by market fluctuation is declining

- Reduction of assets measured at FVtPL
- Increase in assets measured at FVtOCI

# Securities & Life Insurance

# Rakuten Securities - Major Changes

Revenue	Operating Expenses	Operating Income	Total Assets
Little Change	Little Change	Little Change	Significant Increase

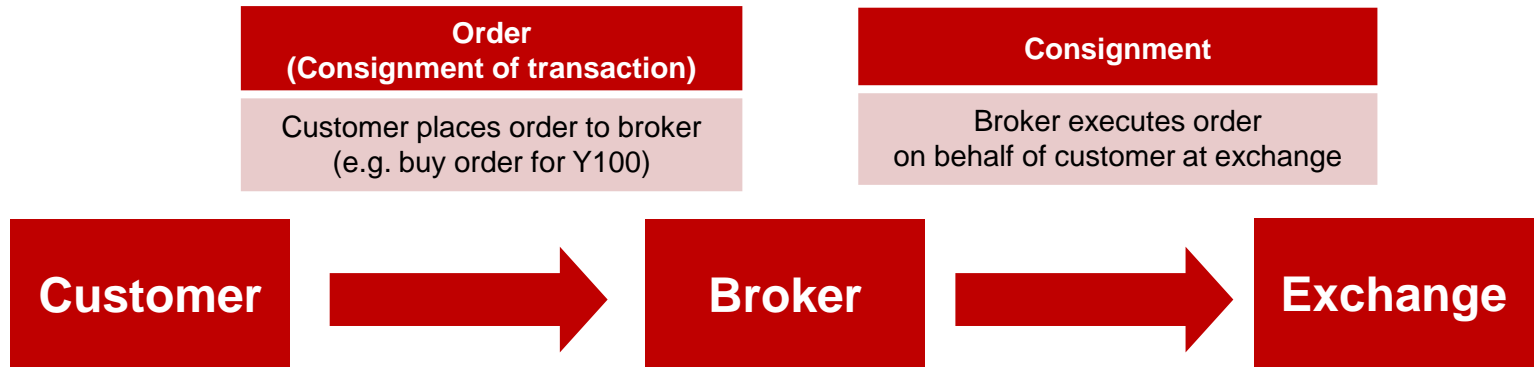
**BS**

- Unsettled transactions are recognized both in assets and liabilities

# Gross-Up of Agency Transactions

## Agency Transactions

Transaction in which a broker acts only as an agent for the customer



## J-GAAP

Because economic benefit does not belong to broker in case of agency transaction, J-GAAP does not require journal entry of the rights/obligations, but requires to recognize commission revenue receivable on execution date, which is settled in 4<sup>th</sup> operating day after execution

## IFRS

Broker acquires right to receive equity from exchange and owes obligation to pay cash to exchange on 4<sup>th</sup> operating day after execution

**Equity 100 / Account Payable 100**

Since economic benefit belongs to customer, broker has right and obligation to customer at the same timing

**Account Receivable 100 / Equity 100**



# Gross-Up of Agency Transactions

Recognition of account receivables and payables for agency transactions		Buy order from customers	Sell order from customers	Net payment with JSCC
	Settlement on X day	Y100million	Y75million	Y25million (payment)

## Net Settlement

### Relationship with clearing organization

- Japan Securities Clearing Corporation (JSCC) conducts clearing operation of equity in Japan
- JSCC offsets rights and obligations of sellers and buyers on each settlement date

### Relationship with customer

- Net settlement between customer and broker is prohibited for spot transactions
- Gross settlement is presumed in journal entry

Accounts receivable relating to investment securities transactions (uncollected amount from customers)	100 /	Accounts payable relating to investment securities transactions (net payment to JSCC)	/ 25
		Accounts payable relating to investment securities transactions (unpaid amount to customers)	/ 75

## Recognition of 3 days of account receivables and payables that are unsettled on FY-End date

Market environment before FY-end date significantly impacts on balance of accounts receivable and payable

There is NO PL impact

# Rakuten Life Insurance Major Changes

Revenue	Operating Expenses	Operating Income	Total Assets
Little Change	Little Change	Little Change	Slight Decrease

- Total assets slightly decrease due to difference in goodwill recognition
  - ✓ IFRS: Increase in stake after establishing control is adjusted in equity section
  - ✓ J-GAAP: Recognize additional goodwill

	Dec 2011	Oct 2012	Mar 2013
Voting Rights	33.9%	87.8%	100%

- IFRS for insurance business may change in the future

## 3 : Goodwill & Impairment Test

# Treatment of Goodwill

J-GAAP		IFRS	
Non-Consolidated	Consolidated		
Impairment of Equity in Subsidiary	Impairment of Goodwill	Impairment of Goodwill	
<ul style="list-style-type: none"> <li>◆ Impair in case of significant drop in fair value</li> <li>◆ Consider future probability of recovery by examining achievement of budget</li> </ul>	<ul style="list-style-type: none"> <li>◆ Periodically amortize with straight-line or other method over 20 years or less</li> <li>◆ <u>Conduct impairment test if there is indication of impairment</u></li> <li>◆ <u>Undiscounted</u> CF is used for impairment test</li> </ul>	<ul style="list-style-type: none"> <li>◆ Amortization is unnecessary</li> <li>◆ <u>Conduct impairment test once a year at same time each year, regardless of indication of impairment</u></li> <li>◆ <u>Discounted</u> CF is used for impairment test</li> </ul>	

# Indication of Impairments (IFRS)

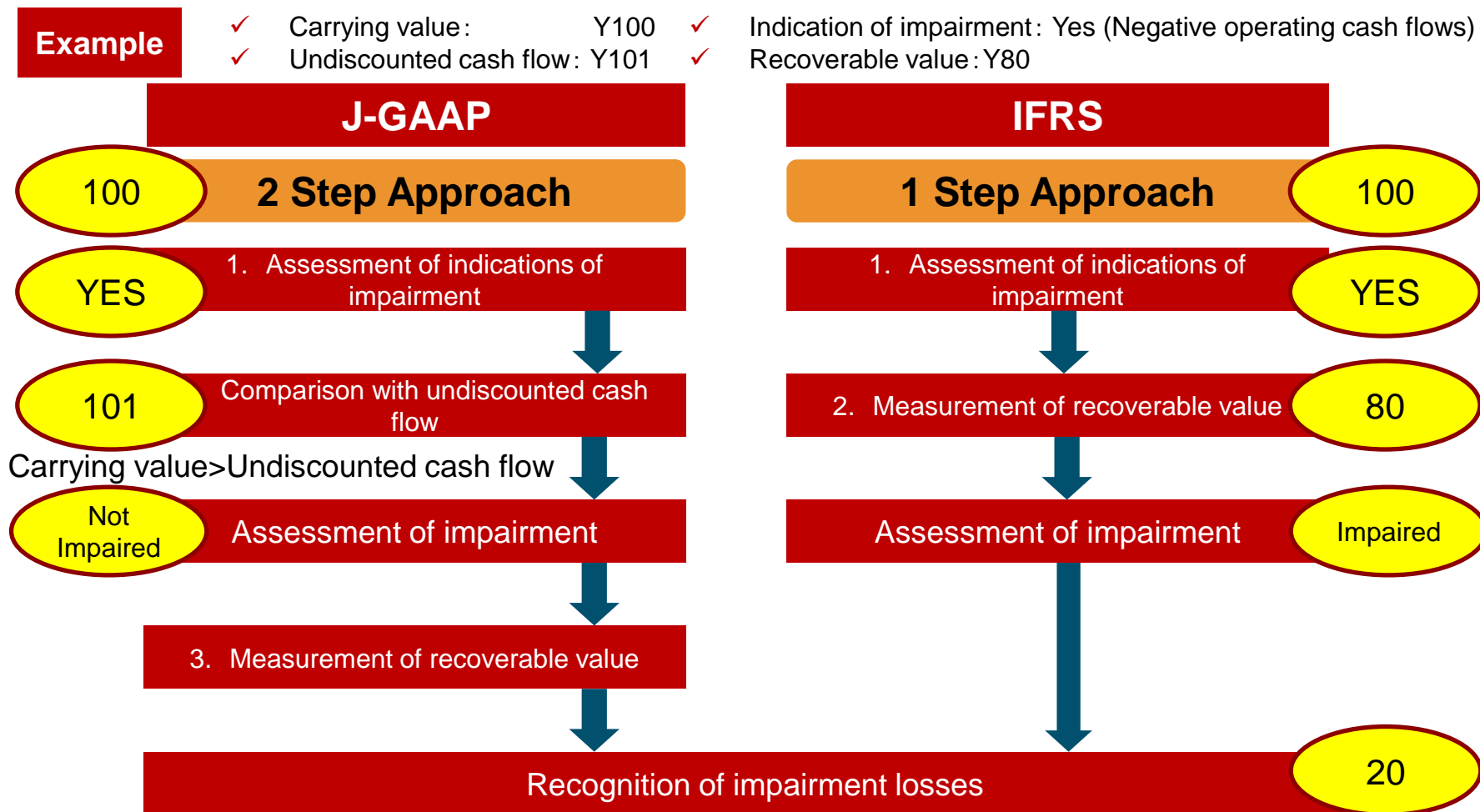
## External Factors

- Significant drop in market value of assets
- Significant deterioration of technology, economy or legal environment

## Internal Factors

- Obsolescence or physical damage of assets
- Termination or restructuring of business
- Significant deterioration of budget or business performance

# Process of Impairment Tests



Impairment loss recognized under IFRS is generally larger than one recognized under J-GAAP, since undiscounted cash-flow analysis is allowed under J-GAAP

# Balance of Goodwill and Intangible Assets (End of Dec 2012)

(JPY mm)

Cash Generating Unit	Balance		Perpetuity Growth Rate	Discount Rate
	Goodwill	Non-amortizable intangible assets*		
Internet Services	58,736	5,871		
PRICEMINISTER S.A.S.	12,273	5,110	2%	12.3%
Kobo Inc.	17,483	29	2%	14.5%
Others	28,980	732	2%~5.5%	8.6%~25.3%
Internet Finance	45,973			
Rakuten Bank	34,386		2%	11.8%
Others	11,587		2%	7.4%~14.6%
Others	3,186		2%	9.1%~9.6%
<b>Total</b>	<b>107,895</b>	<b>5,871</b>		

\*: Excluding depreciable intangible assets

## 4: Financial Instruments



# Definition and Examples of Financial Instruments

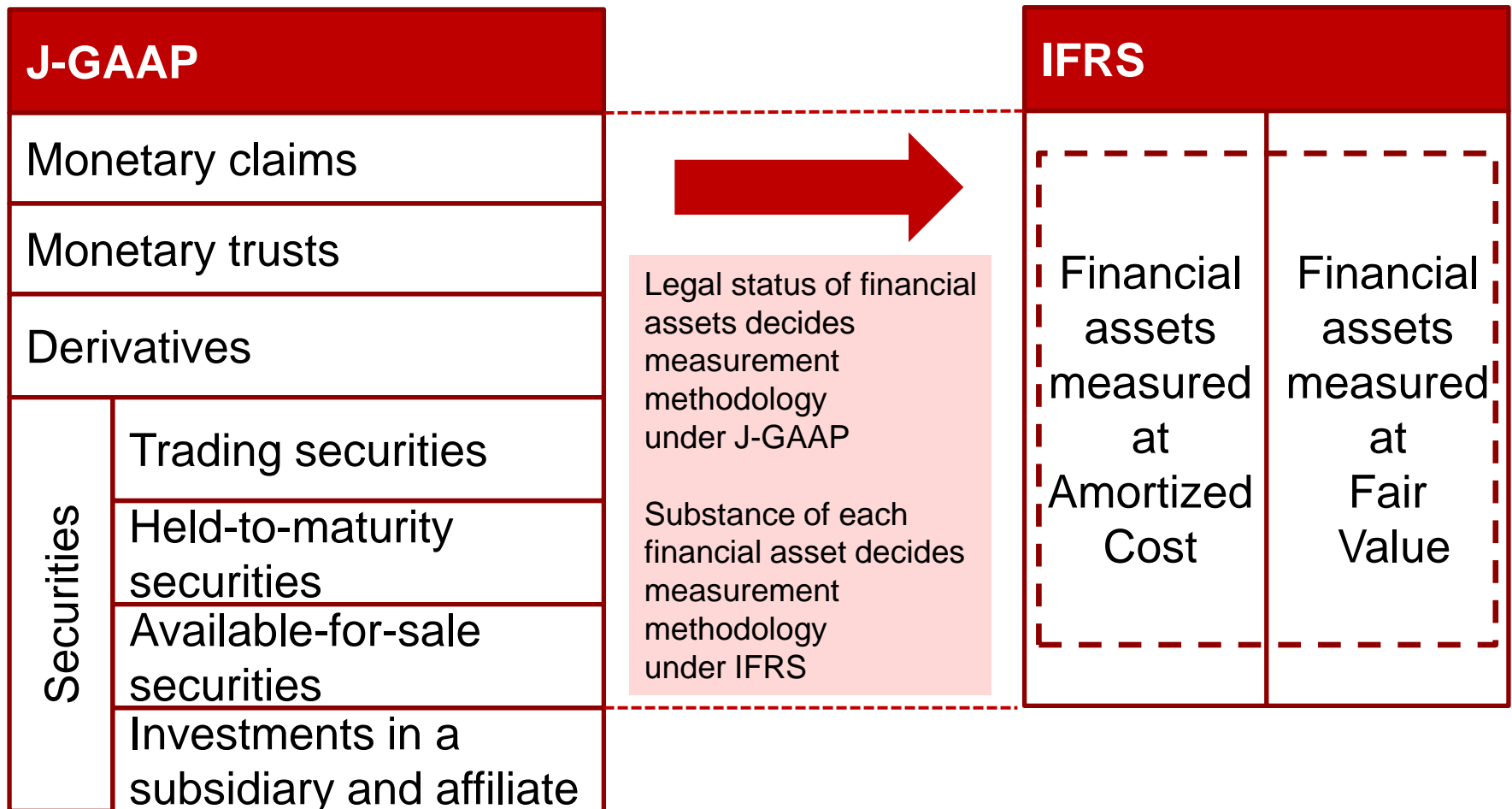
## Definition

A financial instrument is any contract that brings about a financial asset of one entity and a financial liability or equity instrument of another entity

## Examples

- A) Cash
- B) Equity instrument of another entity
- C) Contractual right:
  - i. to receive cash or another financial asset from another entity
  - ii. to exchange financial assets or financial liabilities with another entity under conditions that are potentially favorable to the entity

# Classification of Financial Assets



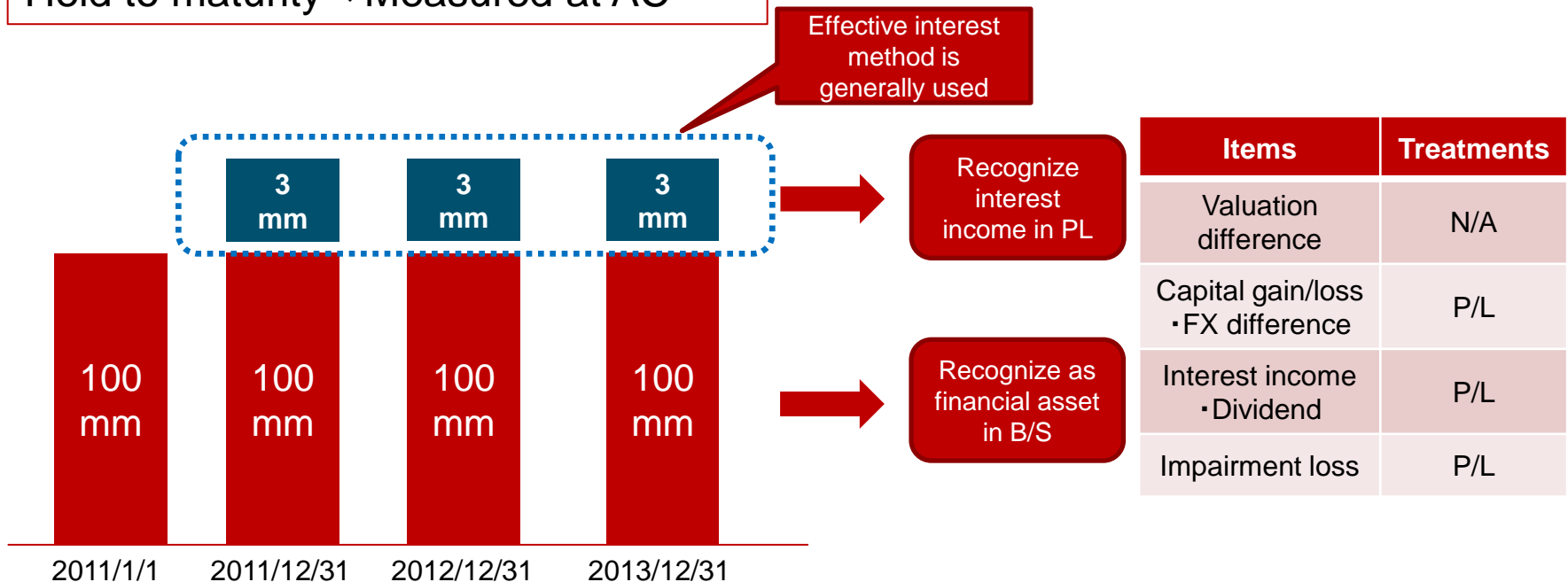
# Financial Assets Measured at Amortized Cost (AC)

Financial assets that meet following two conditions are measured at amortized cost

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows
- The contractual terms of the instrument bring cash flows on a specified date that are solely payments of principal and interest on the principal amount outstanding

E.g. Acquired JPY100million of bonds with fixed coupon rate of 3% on Jan 1, 2011

Held to maturity ⇒ Measured at AC

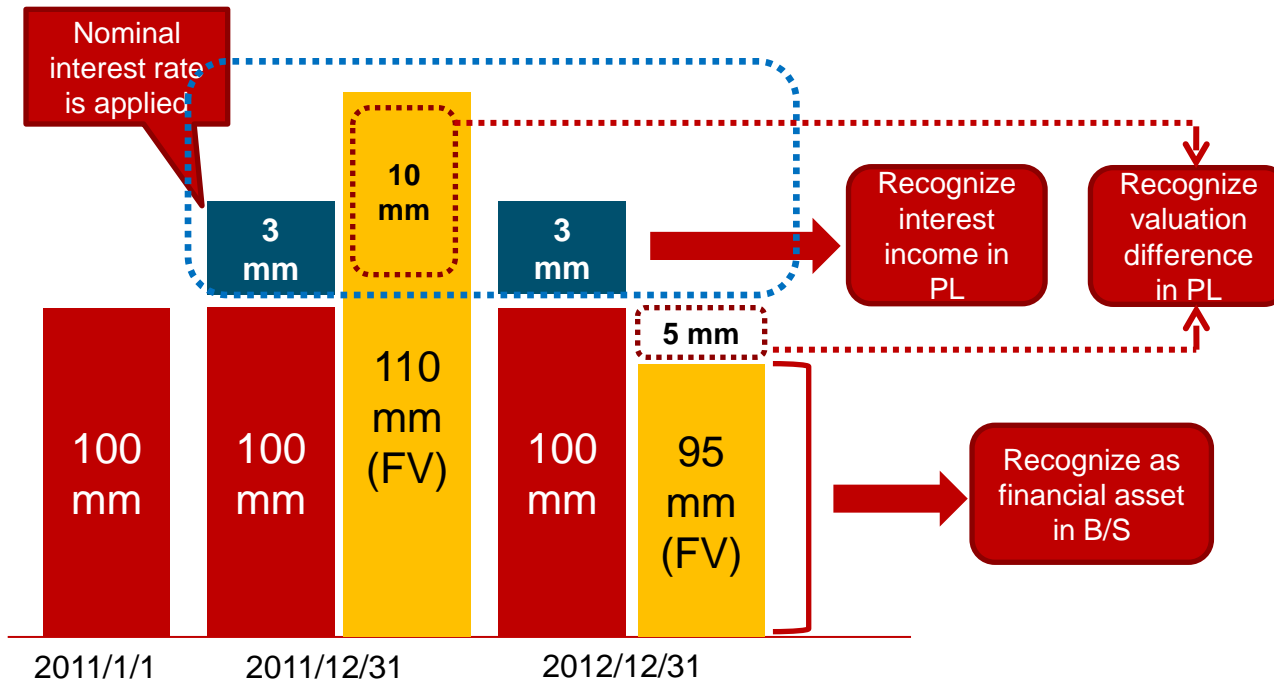


# Financial Assets at Fair Value Through Profit or Loss (FVtPL)

- Applied to financial assets that do not meet conditions about amortized cost such as debt instruments and equity investments
- Although FVtPL is standard measurement, it is possible to select FVtOCI by examining nature of each financial asset

E.g. Acquired JPY100million of bonds with fixed coupon rate of 3% on Jan 1, 2011

Not held to maturity ⇒ Measured at FVtPL



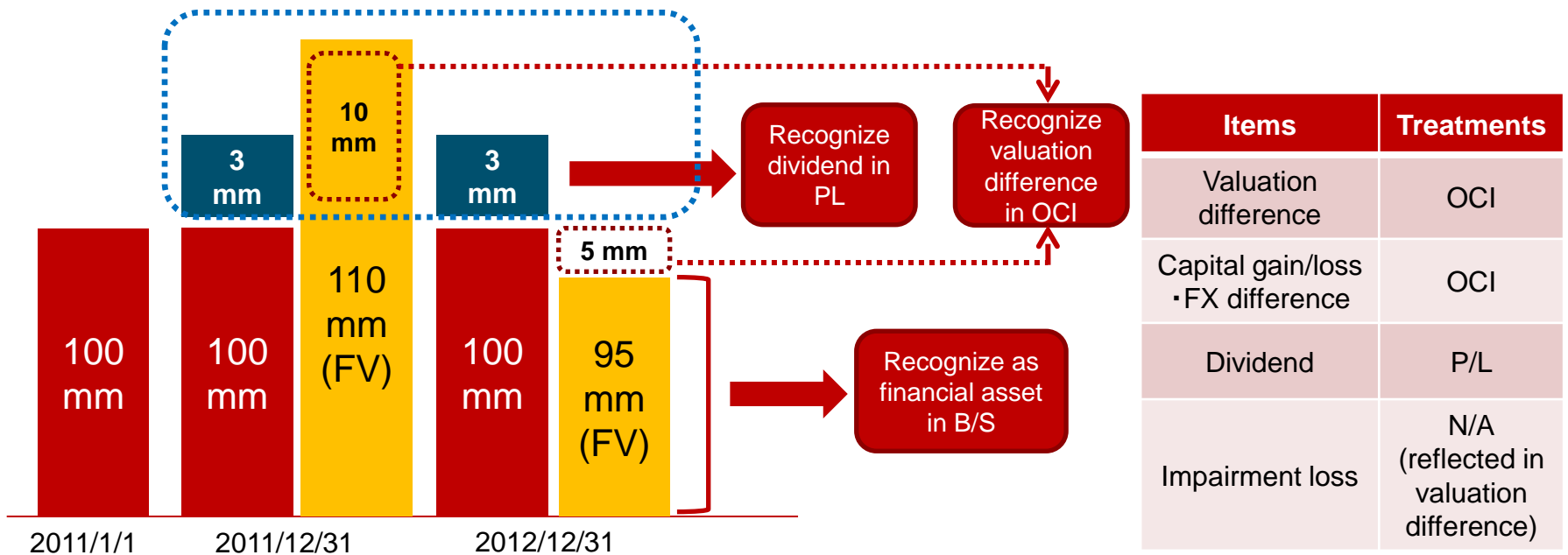
Items	Treatments
Valuation difference	P/L
Capital gain/loss ·FX difference	P/L
Interest income ·Dividend	P/L
Impairment loss	N/A (reflected in valuation difference)

# Financial Assets at Fair Value Through Other Comprehensive Income (FVtOCI)

- Applied to financial assets that do not meet conditions about amortized cost such as equity investments
- Although FVtPL is standard measurement, it is possible to select FVtOCI by examining nature of each financial asset

E.g. Acquired JPY100million of listed equity on Jan 1, 2011

Choose to hold equity as FVtOCI



# AC, FVtPL and FVtOCI in Financial Statements

	AC	FVtPL	FVtOCI																														
B/S	<p>2011/12/31</p> <table border="1"> <tr> <td>Assets measured at AC</td> <td>100mm</td> </tr> </table>	Assets measured at AC	100mm	<p>2011/12/31</p> <table border="1"> <tr> <td>Assets measured at FVtPL</td> <td>110mm</td> <td>Retained earnings</td> <td>10mm</td> </tr> </table>	Assets measured at FVtPL	110mm	Retained earnings	10mm	<p>2011/12/31</p> <table border="1"> <tr> <td>Assets measured at FVtOCI</td> <td>110mm</td> <td>Valuation difference</td> <td>10mm</td> </tr> </table>	Assets measured at FVtOCI	110mm	Valuation difference	10mm																				
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Comprehensive income	XXmm																																
Net income	XXmm																																
Valuation difference	XXmm																																
Comprehensive income	XXmm																																
Net income	XXmm																																
Valuation difference	10mm																																
Comprehensive income	XXmm																																

# Measurement of Unlisted Equity

Measurement  
at  
Fair Value

Market approach (Comparable company valuation)

Income approach (Present value methods such as discount free cash flow)

Cost approach (Price / book value, Price / adjusted book value)



Cost is considered as fair value, when following criteria are met

- 1) Recent information to assess fair value is not sufficient; or
- 2) Range of possible fair values are wide,  
and cost is considered as best estimate within the range

Indications that cost does not reflect fair value are as follows

- 1) A significant change in the performance of the investee compared with budgets, plans or milestones
- 2) Changes in expectation that the investee's technical product milestones will be achieved
- 3) A significant change in the market for the investee's equity or its products or potential products
- 4) A significant change in the global economy or the economic environment in which the investee operates
- 5) A significant change in the performance of comparable entities, or in the valuations implied by the overall market
- 6) Internal matters of the investee such as fraud, commercial disputes, litigation, changes in management or strategy
- 7) Evidence from external transactions in the investee's equity, either by the investee (such as a fresh issue of equity), or by transfers of equity instruments between third parties

# Financial Assets held by Rakuten Group

Segments	Major Financial Assets	Accounting Items on Balance Sheet	Measurement
Banking	Trust beneficiary rights (excluding securitized assets by Rakuten Card)	Investment securities for banking business	AC / FVtPL
	Floating-rate domestic sovereign bonds	Investment securities for banking business	FVtPL
	Fixed-rate domestic sovereign bonds, domestic municipal bonds, foreign bonds and others	Investment securities for banking business	AC
	Loans (Loan receivables from private customers)	Loans for banking business	AC
Credit Card	Shopping receivables	Loans for credit card business	AC
	Revolving balances	Loans for credit card business	AC
Securities	Cash segregated as deposits	Financial assets for securities business	AC
	Margin transactions assets	Financial assets for securities business	AC
	Investment securities held for trading purposes	Financial assets for securities business	FVtPL
	Derivative assets held for trading purposes	Derivative assets	FVtPL
Insurance	Domestic sovereign bonds, municipal bonds, corporate bonds	Investment securities for insurance business	AC
Non-financial	Accounts receivable generated from sales relating to Internet Services business	Accounts receivable	AC
	Equity investments other than equity method investments	Investment securities	FVtOCI



# IFRS figures for FY2012 and FY2011

# IFRS Income Statement

(JPY mm)

	2011		2012			
	FY	FY	Q1	Q2	Q3	Q4
Continuing operations						
Revenue	346,425	400,444	89,798	91,451	98,589	120,606
Operating expenses	265,463	319,435	70,191	71,641	78,230	99,373
Other income	1,178	3,365	386	105	174	2,700
Other expenses	6,004	5,581	1,381	773	511	2,916
Additional line items	-75,492	-28,738	—	—	—	-28,738
Operating income (Loss)	644	50,055	18,612	19,142	20,022	-7,721
Financial income	277	193	116	37	16	24
Financial expenses	2,569	2,565	569	834	637	525
Share of profit of associates	463	1,423	59	395	321	648
(Loss) Income before income tax	-1,185	49,106	18,218	18,740	19,722	-7,574
Income tax expense	-10,816	27,970	8,026	7,189	8,941	3,814
Net income (Loss)	9,631	21,136	10,192	11,551	10,781	-11,388
Net income (Loss) attributable to						
Owners of the Company	7,986	20,489	10,167	11,380	10,621	-11,679
Non-controlling interests	1,645	647	25	171	160	291
Total net income (Loss)	9,631	21,136	10,192	11,551	10,781	-11,388

# IFRS Balance Sheet as of beginning of Jan 2011 (Date of the adoption of IFRS)

(JPY mm)

Assets	
Cash and cash equivalents	105,896
Accounts receivable - trade	44,603
Financial assets for securities business	483,073
Loans for credit card business	348,791
Investment securities for banking business	484,530
Loans for banking business	124,885
Derivative assets	10,143
Investment securities	59,754
Other financial assets	142,556
Investments in associates and joint ventures	9,454
Property, plant and equipment	25,885
Intangible assets	152,215
Deferred tax assets	47,212
Other assets	13,574
<b>Total assets</b>	<b>2,052,571</b>

Liabilities	
Accounts payable -trade	36,836
Deposits for banking business	714,856
Financial liabilities for securities business	427,440
Derivative liabilities	2,429
Bonds and borrowings	377,661
Other financial liabilities	152,130
Income taxes payable	17,590
Provisions	32,499
Deferred tax liabilities	6,236
Other liabilities	67,435
<b>Total liabilities</b>	<b>1,835,112</b>

Net assets	
Equity attributable to owners of the Company	
Common stock	107,779
Capital surplus	117,311
Retained earnings	-1,656
Treasury stock	-3,626
Other components of equity	-11,032
<b>Total shareholders' equity</b>	<b>208,776</b>
Non-controlling interests	8,683
<b>Total net assets</b>	<b>217,459</b>
<b>Total liabilities and net assets</b>	<b>2,052,571</b>

# IFRS Balance Sheets as of End Dec 2011

(JPY mm)

Assets	
Cash and cash equivalents	152,801
Accounts receivable - trade	48,958
Financial assets for securities business	415,600
Loans for credit card business	306,131
Investment securities for banking business	423,954
Loans for banking business	154,555
Derivative assets	9,829
Investment securities	10,963
Other financial assets	172,764
Investments in associates and joint ventures	9,685
Property, plant and equipment	21,535
Intangible assets	149,620
Deferred tax assets	64,579
Other assets	18,791
<b>Total assets</b>	<b>1,959,765</b>

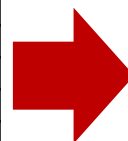
Liabilities	
Accounts payable -trade	59,365
Deposits for banking business	742,593
Financial liabilities for securities business	364,490
Derivative liabilities	2,861
Bonds and borrowings	347,983
Other financial liabilities	176,413
Income taxes payable	3,981
Provisions	23,181
Deferred tax liabilities	6,054
Other liabilities	20,498
<b>Total liabilities</b>	<b>1,747,419</b>

Net assets	
Equity attributable to owners of the Company	
Common stock	107,959
Capital surplus	116,864
Retained earnings	3,641
Treasury stock	-3,626
Other components of equity	-16,471
<b>Total shareholders' equity</b>	<b>208,367</b>
Non-controlling interests	3,979
<b>Total net assets</b>	<b>212,346</b>
<b>Total liabilities and net assets</b>	<b>1,959,765</b>

# B/S Difference: Assets Section (End Dec 2012)

## J-GAAP

(Assets)	
Current assets	
Cash and deposits	267,596
Notes and accounts receivable - trade	66,740
Accounts receivable – installment	205,330
Accounts receivable - installment sales-credit guarantee	1,781
Beneficial interests in securitized assets	23,074
Cash segregated as deposits for securities business	252,308
Margin transaction assets for securities business	130,165
Operating loans	69,214
Short-term investment securities	4,300
Securities for bank business	428,676
Loans and bills discounted for banking business	189,471
Securities for insurance business	13,777
Deferred tax assets - current	24,686
Other current assets	155,709
Allowance for doubtful accounts - current	-14,468
<b>Total current assets</b>	<b>1,818,364</b>
Non-current assets	
Property, plant and equipment	18,308
Intangible assets	
Goodwill	131,058
Other	83,686
<b>Total intangible assets</b>	<b>214,744</b>
Investments and other assets	
Investment securities	26,534
Deferred tax assets - non-current	17,851
Other non-current assets	23,344
Allowance for doubtful accounts - non-current	-10,737
<b>Total investments and other assets</b>	<b>56,992</b>
<b>Total non-current assets</b>	<b>290,045</b>
<b>Total assets</b>	<b>2,108,409</b>



## IFRS

(JPY mm)	
Assets	
Cash and cash equivalents	270,114
Accounts receivable — trade	65,493
Financial assets for securities business	615,703
Loans for credit card business	402,418
Investment securities for banking business	296,326
Securities for insurance business	13,623
Loans for banking business	189,669
Derivative assets	10,674
Investment securities	23,411
Other financial assets	123,132
Investments in associates and joint ventures	6,601
Property, plant and equipment	24,143
Intangible assets	188,014
Deferred tax assets	40,546
Other assets	17,767
<b>Total assets</b>	<b>2,287,634</b>

\*: J-GAAP Rounded-down  
: IFRS Rounded-off

# B/S Difference: Liabilities Section (End Dec 2012)

## J-GAAP

(Liabilities)	
Current liabilities	
Notes and accounts payable - trade	79,965
Accounts payable - credit guarantee	1,781
Commercial papers	33,800
Short-term loans payable	145,417
Deposits for banking business	808,080
Current portion of bonds payable	273
Income taxes payable	2,873
Deposits received for securities business	177,515
Margin transaction liabilities for securities business	41,777
Guarantee deposits received for securities business	83,371
Payable secured by securities for securities business	37,465
Reserve for insurance policy liabilities	20,413
Deferred tax liabilities - current	71
Reserve for points	25,908
Other provision - current	4,243
Other current liabilities	235,201
<b>Total current liabilities</b>	<b>1,698,159</b>
Non-current liabilities	
Bonds payable	480
Long-term loans payable	126,063
Deferred tax liabilities - non-current	10,433
Other provision - non-current	1,570
Other non-current liabilities	7,621
<b>Total non-current liabilities</b>	<b>146,169</b>
Reserves under the special laws	
Reserve for financial products transaction liabilities	1,587
Reserve for commodities transaction liabilities	41
<b>Total reserves under the special laws</b>	<b>1,628</b>
<b>Total liabilities</b>	<b>1,845,957</b>



## IFRS

(JPY mm)

Liabilities	
Accounts payable — trade	79,965
Deposits for banking business	809,531
Financial liabilities for securities business	558,055
Derivative liabilities	4,685
Bonds and borrowings	305,186
Reserve for insurance policy liabilities	18,496
Other financial liabilities	210,048
Income taxes payable	2,873
Provisions	29,614
Deferred tax liabilities	6,416
Other liabilities	20,853
<b>Total liabilities</b>	<b>2,045,722</b>

\*: J-GAAP Rounded-down  
: IFRS Rounded-off

# B/S Difference: Net Assets Section (End Dec 2012)

## J-GAAP

(Net assets)	
Shareholders' equity	
Common stock	108,255
Capital surplus	120,327
Retained earnings	21,590
Treasury stock	-3,625
<b>Total shareholders' equity</b>	<b>246,546</b>
Accumulated other comprehensive income	
Unrealized gains or losses on available-for-sale securities	6,330
Foreign currency translation adjustments	1,814
<b>Total accumulated other comprehensive income</b>	<b>8,145</b>
Subscription rights to shares	1,706
Minority interests	6,052
<b>Total net assets</b>	<b>262,451</b>



## IFRS

(JPY mm)

Net assets	
Equity attributable to owners of the Company	
Common stock	108,255
Capital surplus	116,599
Retained earnings	20,873
Treasury stock	-3,626
Other components of equity	-6,159
<b>Total shareholders' equity</b>	<b>235,942</b>
Non-controlling interests	5,970
<b>Total net assets</b>	<b>241,912</b>

\*: J-GAAP Rounded-down  
: IFRS Rounded-off

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