

The following information was originally prepared and published by the Company in Japanese as it contains timely disclosure materials to be submitted to the Tokyo Stock Exchange. This English summary translation is for your convenience only. To the extent there is any discrepancy between this English translation and the original Japanese version, please refer to the Japanese version. The following financial information was prepared in accordance with International Financial Reporting Standards ("IFRS").

Consolidated Financial Reports (IFRS) for the nine months ended September 30, 2021

Rakuten Group, Inc.
November 11, 2021

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

1. Consolidated Results for the nine months ended September 30, 2021 (January 1 – September 30, 2021)

(Yen amounts are rounded to the nearest million)

(1) Consolidated Operating Results

(%, YoY)

	Revenue		Operating income		Income before income tax		Net income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Nine months ended September 30, 2021	1,200,574	15.4	(108,362)	—	(105,563)	—	(93,521)	—
Nine months ended September 30, 2020	1,040,190	14.8	(60,519)	—	(119,599)	—	(72,406)	—

	Net income attributable to owners of the Company		Comprehensive income		Basic earnings per share attributable to owners of the Company	Diluted earnings per share attributable to owners of the Company
	Millions of Yen	%	Millions of Yen	%	Yen	Yen
Nine months ended September 30, 2021	(92,262)	—	(50,173)	—	(61.13)	(61.13)
Nine months ended September 30, 2020	(71,471)	—	(79,372)	—	(52.60)	(52.60)

(2) Consolidated Financial Position

	Total assets	Total equity	Total equity attributable to owners of the Company	Ratio of total equity attributable to owners of the Company to total assets
	Millions of Yen	Millions of Yen	Millions of Yen	%
As of September 30, 2021	15,439,566	1,141,217	1,119,260	7.2
As of December 31, 2020	12,524,438	629,014	608,738	4.9

2. Dividends

	Dividend per Share				
	1Q	2Q	3Q	4Q	Year
	Yen	Yen	Yen	Yen	Yen
FY2020	—	0.00	—	4.50	4.50
FY2021	—	0.00	—	—	—
FY2021 (Forecast)	—	—	—	—	—

Note: Dividend per share for the fiscal year ending December 31, 2021 has not been decided yet, and there are no changes to the previously disclosed dividend forecast.

3. Estimate of Consolidated Operating Results for Fiscal Year 2021 (January 1 to December 31, 2021)

For the estimate of consolidated operating results for fiscal year 2021, double-digit growth on consolidated operating results for fiscal year 2020 is estimated for fiscal year 2021 consolidated revenue, excluding the securities business whose results are heavily impacted by stock market conditions.

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

Note: There are no changes to the previously disclosed consolidated forecasts for the year ending December 31, 2021.

Notes

(1) Changes in Significant Subsidiaries during the Current Period

(Changes in Specified Subsidiaries resulting in Change in Scope of Consolidation): No

New: — (Company name: —) Excluded: — (Company name: —)

(2) Changes in Accounting Policies and Changes in Accounting Estimates

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

Note: For details, see page 23, 2. Consolidated Financial Statements (Summary) and Notes (6) Notes to the Summary of Consolidated Financial Statements for the nine months ended September 30, 2021 (Changes in Accounting Estimates).

(3) Number of Shares Issued (Common Stock)

1. Total number of shares issued at the end of the period (including treasury stocks)
 - 1,580,325,500 shares (As of September 30, 2021)
 - 1,434,573,900 shares (As of December 31, 2020)
2. Number of treasury stocks at the end of the period
 - 132 shares (As of September 30, 2021)
 - 72,073,137 shares (As of December 31, 2020)
3. Average number of shares during the period (cumulative from the beginning of the year)
 - 1,509,336,077 shares (January 1 – September 30, 2021)
 - 1,358,634,094 shares (January 1 – September 30, 2020)

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

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

Consolidated earnings forecasts for the year ending December 31, 2021 are based on information that is available at the time of writing, but a number of known and unknown factors could cause actual results to differ from projections.

1. Qualitative Information, Financial Statements, etc.

(1) Qualitative Information Concerning Consolidated Business Results

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

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

Note: For disclosure of Non-GAAP financial measures, the Rakuten Group refers to the rules specified by the U.S. Securities and Exchange Commission but does not fully comply with such rules.

i) Business Results for the nine months ended September 30, 2021 (Non-GAAP basis)

The world economy during the nine months ended September 30, 2021 remains severe due to the spread of COVID-19, but is beginning to recover. The Japanese economy is also expected to recover mainly due to the effects of various policy measures such as COVID-19 vaccine promotion. Under the situation in which people are forced to change their lifestyles due to the COVID-19 pandemic, IT companies provide Internet services, online financial services, and information and communication services that enable people to purchase products and enjoy services while reducing contact with others, and the social role expected of IT companies is further increasing.

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

In 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. This contributed to growth in transaction volume in domestic e-commerce services. In the online travel booking service, Rakuten Travel, which was greatly affected by a continuing slump in hotel reservations due to factors including the voluntary restraint on outings in the same period of the previous fiscal year, the promotion of hotel reservations by implementing safe travel initiatives also helped increase transaction volume in domestic e-commerce services. In other Internet services including overseas Internet services, continuous measures to improve cost efficiency and recovery of consumer behavior helped improve the performance of businesses that have been affected by the pandemic, contributing to reducing operating loss. In the FinTech segment, services including credit card related, banking, and securities saw increases in revenue and profit with the continuous growth in the customer base in each service. In the Mobile segment, while making steady progress in acquiring customers, revenue from telecommunication charges for some users began to be recorded gradually as the campaigns offering one year of free telecommunication charges expired. On the other hand, network-related expenses including depreciation are increasing due to the expansion of the in-house network area ahead of schedule.

As a result, the Rakuten Group recorded revenue of ¥1,200,574 million, up 15.4% year-on-year for the nine months ended September 30, 2021, but mainly due to ongoing prior investments in the Mobile segment, such as the installment of its own base stations, it recorded Non-GAAP operating loss of ¥148,859 million, compared to Non-GAAP operating loss of ¥79,377 million in the nine months ended September 30, 2020.

(Non-GAAP)

(Millions of Yen)

	Nine months ended September 30, 2020	Nine months ended September 30, 2021	Amount Change YoY	% Change YoY
Revenue	1,040,190	1,200,574	160,384	15.4%
Non-GAAP operating loss	(79,377)	(148,859)	(69,482)	—%

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

For the nine months ended September 30, 2021, amortization of intangible assets of ¥5,615 million and share based compensation expenses of ¥7,727 million were excluded from Non-GAAP operating income. One-off items listed for the nine months ended September 30, 2020 include a gain on sale of all shares in OverDrive Holdings, Inc. of ¥40,926 million and impairment of property, plant and equipment etc. due to the closure of certain U.S. based business. One-off items listed for the nine months ended September 30, 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 ¥5,578 million associated with an increase in provision for customer points as a result of revisions in the Rakuten Point Terms of Use.

(Millions of Yen)

	Nine months ended September 30, 2020	Nine months ended September 30, 2021	Amount Change YoY
Non-GAAP operating loss	(79,377)	(148,859)	(69,482)
Amortization of intangible assets (PPA)	(7,910)	(5,615)	2,295
Share based compensation expenses	(8,036)	(7,727)	309
One-off items	34,804	53,839	19,035
IFRS operating loss	(60,519)	(108,362)	(47,843)

iii) Business Results for the nine months ended September 30, 2021 (IFRS basis)

For the nine months ended September 30, 2021, the Rakuten Group recorded revenue of ¥1,200,574 million, up 15.4% year-on-year, IFRS operating loss of ¥108,362 million, compared with IFRS operating loss of ¥60,519 million in the nine months ended September 30, 2020, and net loss attributable to owners of the Company of ¥92,262 million, compared with net loss of ¥71,471 million in the nine months ended September 30, 2020.

(IFRS)

(Millions of Yen)

	Nine months ended September 30, 2020	Nine months ended September 30, 2021	Amount Change YoY	% Change YoY
Revenue	1,040,190	1,200,574	160,384	15.4%
IFRS operating loss	(60,519)	(108,362)	(47,843)	—%
Net loss attributable to owners of the Company	(71,471)	(92,262)	(20,791)	—%

iv) Segment Information

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

To enhance collaboration and synergy between digital content services and mobile services, the Rakuten Group has transferred some of its businesses and subsidiaries to other segments from the fourth quarter ended December 31, 2020. The main change was made to businesses that provide digital content sites in the Internet Services segment, which were transferred to the Mobile segment. In addition, from the second quarter ended June 30, 2021, the Rakuten Group has reviewed its business management system with the aim of improving the profitability of the Rakuten Ecosystem in North America. Accordingly, some businesses and subsidiaries providing digital content sites in North America and those engaged in messaging services have been transferred to other segments. The main change was made to Rakuten Kobo Inc., included in the Mobile segment from the fourth quarter ended December 31, 2020, as well as to Viber Media S.a.r.l. included in the Mobile segment, which were transferred to the Internet Services segment. In line with these changes, segment information for the nine months ended September 30, 2020 has been restated. As a result, some businesses and subsidiaries engaged in messaging services and those providing digital content sites in regions other than North America are now included in the Internet Services segment and the Mobile segment respectively.

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 (shipping included) threshold and further opening up the Rakuten Ecosystem. Services such as the Internet shopping mall “Rakuten Ichiba” and “Rakuten 24”, which sells medical supplies and daily necessities, etc. by online shopping, have continued to see further growth in transaction volume even compared with the same period of the previous fiscal year 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”. In addition, the online travel booking service, Rakuten Travel, which was greatly affected by a continuing slump in hotel reservations due to factors including the voluntary restraint on outings in the same period of the previous fiscal year, saw a year-on-year growth in transaction volume by implementing safe travel initiatives. In other Internet services including overseas Internet services, continuous measures to improve cost efficiency and recovery of consumer behavior helped improve the performance of businesses that have been affected by the pandemic, contributing to reducing operating loss. In addition, the Rakuten Group recorded ¥27,658 million in valuation gains on securities related to investments in FinTech-related companies in the investment business. The Company has completed the succession of its logistics business to a joint venture with Japan Post Co., Ltd. The successor company, JP Rakuten Logistics, Inc., became an associate of the Company accounted for using the equity method in the third quarter ended September 30, 2021. Accordingly, part of income (losses) of the logistics business, which was recorded in the Internet Services segment until the second quarter ended June 30, 2021, is recorded in share of income (losses) of investments in associates and joint ventures from the third quarter ended September 30, 2021.

As a result, revenue for the Internet Services segment rose to ¥702,248 million, a 15.6% year-on-year increase, while segment profit stood at ¥83,401 million, compared with a profit of ¥6,427 million in the nine months ended September 30, 2020.

(Millions of Yen)

	Nine months ended September 30, 2020	Nine months ended September 30, 2021	Amount Change YoY	% Change YoY
Segment revenue	607,421	702,248	94,827	15.6%
Segment profit	6,427	83,401	76,974	—%

FinTech

In credit card related services, Rakuten Card's membership base continued to expand, and the number of cards issued reached 24 million in October 2021. While consumption remains constrained in lodging and dining services, revenue and profit increased with the growth in transaction volume mainly in online shopping. In banking services as well, new acquisitions of bank accounts accelerated and the total number of accounts exceeded 11 million in July 2021, which is the first for an online bank in Japan (Note). While interest on deposits increased in line with the growth in the bank deposits, revenue and profit increased due to a significant increase in income from service transactions, etc. resulting from an increase in the number of payments and other factors. Similarly, in securities services as well, openings of accounts continued to accelerate, and the total number of cash management accounts exceeded 6 million in May 2021. Since then, openings of accounts have continued to increase. Domestic and overseas shares trading commissions also rose, resulting in an increase in commission earnings, which mainly led to higher revenue and profit.

As a result, the FinTech segment recorded ¥455,589 million in revenue, a 7.0% year-on-year increase, while segment profit stood at ¥68,236 million, a 7.6% year-on-year increase.

(Note) As of July 5, 2021, based on research by Rakuten Bank.

(Millions of Yen)

	Nine months ended September 30, 2020	Nine months ended September 30, 2021	Amount Change YoY	% Change YoY
Segment revenue	425,727	455,589	29,862	7.0%
Segment profit	63,391	68,236	4,845	7.6%

Mobile

In the Mobile segment, while making steady progress in acquiring customers, revenue from telecommunication charges for some users began to be recorded gradually as the campaigns offering one year of free telecommunication charges expired. On the other hand, network-related expenses including depreciation are increasing due to the expansion of the in-house network area ahead of schedule.

As a result, revenue for the Mobile segment rose to ¥162,208 million, a 26.5% year-on-year increase, but segment losses reached ¥302,519 million, compared to a loss of ¥150,682 million in the nine months ended September 30, 2020, as prior investments continued mainly for the installment of the Rakuten Group's own base stations in the mobile business.

(Millions of Yen)

	Nine months ended September 30, 2020	Nine months ended September 30, 2021	Amount Change YoY	% Change YoY
Segment revenue	128,272	162,208	33,936	26.5%
Segment loss	(150,682)	(302,519)	(151,837)	—%

(2) Analysis Concerning Financial Position

i) Assets, Liabilities, and Equity

Assets

Total assets as of September 30, 2021 amounted to ¥15,439,566 million, an increase of ¥2,915,128 million from ¥12,524,438 million at the end of the previous fiscal year. The primary factors were an increase of ¥834,622 million in loans for banking business, an increase of ¥820,398 million in cash and cash equivalents, and an increase of ¥720,455 million in financial assets for securities business.

Liabilities

Total liabilities as of September 30, 2021 amounted to ¥14,298,349 million, an increase of ¥2,402,925 million from ¥11,895,424 million at the end of the previous fiscal year. The primary factors include an increase of ¥1,393,179 million in deposits for banking business, an increase of ¥743,845 million in financial liabilities for securities business, and an increase of ¥307,714 million in bonds and borrowings.

Equity

Total equity as of September 30, 2021 was ¥1,141,217 million, an increase of ¥512,203 million from ¥629,014 million at the end of the previous fiscal year. The primary factors include a decrease of ¥99,715 million in retained earnings due mainly to the recording of ¥92,262 million in net loss attributable to owners of the Company during the nine months ended September 30, 2021, offset by increases of ¥82,999 million in common stock and ¥82,627 million in capital surplus and a decrease of ¥84,941 million in treasury stock due to the issuance of new shares through a third-party allotment and disposal of treasury stock, as well as an increase of ¥317,316 million in other equity instruments due to the issuance of U.S. dollar and Euro-denominated non-call undated subordinated notes.

ii) Cash Flows

Cash and cash equivalents as of September 30, 2021 stood at ¥3,841,704 million, an increase of ¥820,398 million from the end of the previous fiscal year. Cash flow conditions and their main factors for the nine months ended September 30, 2021 are as follows.

Cash Flows from Operating Activities

Net cash flows from operating activities for the nine months ended September 30, 2021 resulted in a cash inflow of ¥417,784 million (compared with a cash inflow of ¥848,109 million for the same period of the previous fiscal year). Main factors included a cash outflow of ¥834,603 million due to an increase in loans for banking business and a cash outflow of ¥720,131 million due to an increase in financial assets for securities business, offset by a cash inflow of ¥1,392,579 million due to an increase in deposits for banking business and a cash inflow of ¥743,472 million due to an increase in financial liabilities for securities business.

Cash Flows from Investing Activities

Cash flows from investing activities for the nine months ended September 30, 2021 resulted in a cash outflow of ¥430,058 million (compared with a cash outflow of ¥147,249 million for the same period of the previous fiscal year). Main factors included a net cash outflow of ¥139,472 million due to purchases and sales, etc. of investment securities for banking business (a cash outflow of ¥457,054 million due to purchases of investment securities and a cash inflow of ¥317,582 million due to proceeds from sales and redemption of investment securities), a cash outflow of ¥208,681 million due to purchases of property, plant and equipment, and a cash outflow of ¥84,823 million due to purchases of intangible assets.

Cash Flows from Financing Activities

Cash flows from financing activities for the nine months ended September 30, 2021 resulted in a cash inflow of ¥819,302 million (compared with a cash inflow of ¥400,855 million for the same period of the previous fiscal year). Main factors included a cash outflow of ¥146,827 million due to repayments of long-term borrowings and a cash outflow of ¥88,766 million due to redemptions of bonds, offset by a cash inflow of ¥517,611 million due to proceeds from long-term borrowings, a cash inflow of ¥315,708 million due to proceeds from the issuance of other equity instruments, and a cash inflow of ¥241,394 million due to proceeds from the issuance of shares and sales of treasury stock.

(3) Qualitative Information about Consolidated Business Forecasts

Currently, for the forecast of consolidated operating results for fiscal year 2021, the Rakuten Group aims at double-digit growth from the previous fiscal year for consolidated revenue, excluding results from the securities business which are impacted substantially by stock market conditions. The Japanese economy is expected to continue to recover partly due to the effects of various policy measures and improving overseas economies as COVID-19 vaccination efforts progress. However, we will continue to closely monitor future economic trends and the impact of measures to be implemented by the Japanese government.

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

Internet Services

In the area of domestic Internet services including e-commerce, the Rakuten Group will continue to aim for further growth in gross transaction value and revenue by pursuing various initiatives, such as cultivating a loyal customer base, winning new customers, promoting cross-use of services, promoting the introduction of a common shipping threshold, and further opening up the Rakuten Ecosystem with a view to expanding the e-commerce platform, while creating new markets through the use of technologies such as data and AI. In the travel booking service “Rakuten Travel”, while recovery is expected predominantly in domestic travel, revenue and profit may decline depending on future impact of COVID-19. In overseas Internet services, we aim to expand the Rakuten Ecosystem's membership base, raise the profile of the brand, and provide new value to users.

FinTech

In credit card related services, we will continue striving to achieve further growth in shopping transaction value by strengthening marketing initiatives aimed at expanding market share and synergy. In banking services, we will work on measures to promote use as a primary bank account, such as the use of the bank account for depositing salaries, in addition to the acquisition of new accounts. In insurance services, we will aim for further growth through increasing the number of new policies and expanding our products that have a high level of affinity with Internet services. It is difficult to make a forecast for securities services due to the substantial impact of stock market conditions.

Mobile

In mobile services, revenue is expected to be recorded gradually as we are providing a new campaign offering three months of free telecommunication charges for new users, with the campaigns offering one year of free telecommunication charges starting to expire from April 2021. Furthermore, we are promoting the development of our base stations nationwide under plans to establish specified base stations for spreading fourth-generation mobile communication systems and introducing fifth-generation mobile communications systems, which were certified by the Minister of Internal Affairs and Communications in April 2018 and April 2019, respectively, thereby expanding the in-house network area ahead of schedule. As a result of these efforts, we expect to incur some more operating expenses including depreciation. Due to the expansion of the in-house network area, we are switching our service provision from the areas covered under our partner network lines to the areas covered under our own network lines, therefore, roaming charges are expected to decline primarily from the fiscal year ending December 31, 2022 onward. The installment of base stations in areas that exclude the metropolitan centers of Tokyo, Nagoya, and Osaka associated with the plan to establish specified base stations for spreading fifth-generation mobile communication systems, which was certified in April 2021, is expected to commence primarily from the fiscal year ending December 31, 2022.

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

(Millions of Yen)

	As of December 31, 2020	As of September 30, 2021
Assets		
Cash and cash equivalents	3,021,306	3,841,704
Accounts receivable – trade	243,886	225,572
Financial assets for securities business	2,673,229	3,393,684
Loans for credit card business	2,033,013	2,030,647
Investment securities for banking business	266,227	405,764
Loans for banking business	1,436,513	2,271,135
Investment securities for insurance business	283,969	274,692
Derivative assets	32,644	38,646
Investment securities	275,236	305,133
Other financial assets	492,686	459,016
Investments in associates and joint ventures	58,072	93,324
Property, plant and equipment	684,110	866,494
Intangible assets	639,589	831,750
Deferred tax assets	126,203	149,093
Other assets	257,755	252,912
Total assets	12,524,438	15,439,566
Liabilities		
Accounts payable – trade	337,427	284,218
Deposits for banking business	4,716,162	6,109,341
Financial liabilities for securities business	2,587,227	3,331,072
Derivative liabilities	78,318	56,766
Bonds and borrowings	2,487,457	2,795,171
Other financial liabilities	1,131,505	1,158,379
Income tax payable	8,700	5,114
Provisions	162,579	173,810
Insurance business policy reserves	285,336	256,216
Employee retirement benefit liabilities	19,272	25,825
Deferred tax liabilities	1,920	2,010
Other liabilities	79,521	100,427
Total liabilities	11,895,424	14,298,349
Equity		
Equity attributable to owners of the Company		
Common stock	205,924	288,923
Capital surplus	227,844	310,471
Other equity instruments	—	317,316
Retained earnings	290,449	190,734
Treasury stock	(84,941)	(0)
Other components of equity	(30,538)	11,816
Total equity attributable to owners of the Company	608,738	1,119,260
Non-controlling interests	20,276	21,957
Total equity	629,014	1,141,217
Total liabilities and equity	12,524,438	15,439,566

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

Consolidated Statements of Income (Summary)

(For the nine months ended September 30, 2020 and 2021)

(Millions of Yen)

	Nine months ended September 30, 2020 (January 1 to September 30, 2020)	Nine months ended September 30, 2021 (January 1 to September 30, 2021)
Continuing Operations		
Revenue	1,040,190	1,200,574
Operating expenses	1,125,151	1,404,855
Other income	45,594	103,677
Other expenses	21,152	7,758
Operating loss	(60,519)	(108,362)
Financial income	952	29,558
Financial expenses	22,050	45,788
Share of income (losses) of investments in associates and joint ventures	(37,982)	19,029
Loss before income tax	(119,599)	(105,563)
Income tax expense	(47,193)	(12,042)
Net loss	(72,406)	(93,521)
Net loss attributable to:		
Owners of the Company	(71,471)	(92,262)
Non-controlling interests	(935)	(1,259)
Net loss	(72,406)	(93,521)
		(Yen)
Losses per share attributable to owners of the Company		
Basic	(52.60)	(61.13)
Diluted	(52.60)	(61.13)

Consolidated Statements of Income (Summary) (Continued)
(For the three months ended September 30, 2020 and 2021)

(Millions of Yen)

	Three months ended September 30, 2020 (July 1 to September 30, 2020)	Three months ended September 30, 2021 (July 1 to September 30, 2021)
Continuing Operations		
Revenue	361,422	406,903
Operating expenses	394,341	480,446
Other income	683	67,291
Other expenses	7,562	1,221
Operating loss	(39,798)	(7,473)
Financial income	436	22,963
Financial expenses	14,624	33,508
Share of losses of investments in associates and joint ventures	(25,261)	(5,781)
Loss before income tax	(79,247)	(23,799)
Income tax expense	(34,665)	3,418
Net loss	(44,582)	(27,217)
Net loss attributable to:		
Owners of the Company	(43,986)	(26,824)
Non-controlling interests	(596)	(393)
Net loss	(44,582)	(27,217)
(Yen)		
Losses per share attributable to owners of the Company		
Basic	(32.33)	(16.98)
Diluted	(32.33)	(16.98)

Consolidated Statements of Comprehensive Income (Summary)

(For the nine months ended September 30, 2020 and 2021)

(Millions of Yen)

	Nine months ended September 30, 2020 (January 1 to September 30, 2020)	Nine months ended September 30, 2021 (January 1 to September 30, 2021)
Net loss	(72,406)	(93,521)
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	(18,268)	(3,342)
Income tax effect of gains and losses on equity instruments measured at fair value through other comprehensive income	5,071	574
Remeasurement of insurance business policy reserves based on current market interest rates	2,264	389
Income tax effect of remeasurement of insurance business policy reserves based on current market interest rates	(634)	(109)
Remeasurement of defined benefit plans	6	(1)
Income tax effect of remeasurement of defined benefit plans	3	0
Other comprehensive income of investments in associates and joint ventures	(23)	(51)
Total items that will not be reclassified to net income	(11,581)	(2,540)
Items that may be reclassified to net income		
Foreign currency translation adjustments	(11,690)	43,668
Reclassification of foreign currency translation adjustments due to disposal of foreign operating businesses	7,911	(556)
Corporate income tax on foreign currency translation adjustments	(1,166)	—
Gains and losses on debt instruments measured at fair value through other comprehensive income	1,484	(995)
Allowances for doubtful debts on debt instruments measured at fair value through other comprehensive income	40	(4)
Losses on debt instruments measured at fair value through other comprehensive income reclassified from other comprehensive income to net income	(124)	(212)
Income tax effect of gains or losses on debt instruments measured at fair value through other comprehensive income	(420)	358
Gains on cash flow hedges recognized in other comprehensive income	1,460	5,678
Income tax effect of gains or losses on cash flow hedges recognized in other comprehensive income	(442)	(1,708)
Gains (Losses) on cash flow hedges reclassified from other comprehensive income to net income	1,754	(5,498)
Income tax effect of gains or losses on cash flow hedges reclassified from other comprehensive income to net income	(543)	1,682
Other comprehensive income of investments in associates and joint ventures	(1,291)	3,475
Gains on other comprehensive income of investments in associates and joint ventures reclassified from other comprehensive income to net income	7,642	—
Total items that may be reclassified to net income	4,615	45,888
Other comprehensive income, net of tax	(6,966)	43,348
Comprehensive income	(79,372)	(50,173)

Consolidated Statements of Comprehensive Income
(For the nine months ended September 30, 2020 and 2021) (Continued)

(Millions of Yen)

	Nine months ended September 30, 2020 (January 1 to September 30, 2020)	Nine months ended September 30, 2021 (January 1 to September 30, 2021)
Comprehensive income attributable to:		
Owners of the Company	(78,681)	(50,590)
Non-controlling interests	(691)	417
Comprehensive income	<u>(79,372)</u>	<u>(50,173)</u>

Consolidated Statements of Comprehensive Income (Summary) (Continued)
(For the three months ended September 30, 2020 and 2021)

(Millions of Yen)

	Three months ended September 30, 2020 (July 1 to September 30, 2020)	Three months ended September 30, 2021 (July 1 to September 30, 2021)
Net loss	(44,582)	(27,217)
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	(2,732)	(2,443)
Income tax effect of gains and losses on equity instruments measured at fair value through other comprehensive income	772	985
Remeasurement of insurance business policy reserves based on current market interest rates	99	22
Income tax effect of remeasurement of insurance business policy reserves based on current market interest rates	(28)	(6)
Remeasurement of defined benefit plans	2	(0)
Income tax effect of remeasurement of defined benefit plans	(1)	0
Other comprehensive income of investments in associates and joint ventures	30	(51)
Total items that will not be reclassified to net income	(1,858)	(1,493)
Items that may be reclassified to net income		
Foreign currency translation adjustments	(9,905)	785
Reclassification of foreign currency translation adjustments due to disposal of foreign operating businesses	2,584	(556)
Gains and losses on debt instruments measured at fair value through other comprehensive income	348	(395)
Allowances for doubtful debts on debt instruments measured at fair value through other comprehensive income	10	3
Losses on debt instruments measured at fair value through other comprehensive income reclassified from other comprehensive income to net income	(29)	(114)
Income tax effect of gains or losses on debt instruments measured at fair value through other comprehensive income	(81)	169
Gains on cash flow hedges recognized in other comprehensive income	(1,703)	1,110
Income tax effect of gains or losses on cash flow hedges recognized in other comprehensive income	526	(334)
Gains on cash flow hedges reclassified from other comprehensive income to net income	1,499	(261)
Income tax effect of gains or losses on cash flow hedges reclassified from other comprehensive income to net income	(464)	80
Other comprehensive income of investments in associates and joint ventures	(781)	156
Gains on other comprehensive income of investments in associates and joint ventures reclassified from other comprehensive income to net income	7,642	—
Total items that may be reclassified to net income	(354)	643
Other comprehensive income, net of tax	(2,212)	(850)
Comprehensive income	(46,794)	(28,067)

Consolidated Statements of Comprehensive Income
(For the three months ended September 30, 2020 and 2021) (Continued)

(Millions of Yen)

	Three months ended September 30, 2020 (July 1 to September 30, 2020)	Three months ended September 30, 2021 (July 1 to September 30, 2021)
Comprehensive income attributable to:		
Owners of the Company	(46,093)	(27,907)
Non-controlling interests	(701)	(160)
Comprehensive income	<u>(46,794)</u>	<u>(28,067)</u>

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

(Millions of Yen)

	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, 2020	205,924	224,379	—	413,603	(92,305)	(15,892)	9,669
Comprehensive income							
Net loss	—	—	—	(71,471)	—	—	—
Other comprehensive income, net of tax	—	—	—	—	—	1,150	(12,228)
Total comprehensive income	—	—	—	(71,471)	—	1,150	(12,228)
Transactions with owners etc.							
Contributions by and distributions to owners							
Issuance of shares	—	—	—	—	—	—	—
Issuance of other equity instruments	—	—	—	—	—	—	—
Cash dividends paid	—	—	—	(6,103)	—	—	—
Reclassified from other components of equity to retained earnings	—	—	—	(1,625)	—	—	1,625
Acquisition of treasury stock	—	—	—	—	—	—	—
Disposal of treasury stock	—	—	—	—	—	—	—
Issuance of shares with the exercise of share options	—	—	—	—	—	—	—
Disposal of treasury stock with the exercise of share options	—	(5,916)	—	—	5,917	—	—
Issuance of share acquisition rights	—	8,342	—	—	—	—	—
Forfeiture of share acquisition rights	—	(166)	—	166	—	—	—
Others	—	—	—	(720)	—	—	—
Total contributions by and distributions to owners	—	2,260	—	(8,282)	5,917	—	1,625
Changes in ownership interests in subsidiaries							
Issuance of shares	—	—	—	—	—	—	—
Acquisition and disposal of non-controlling interests	—	—	—	—	—	—	—
Others	—	2	—	—	—	—	—
Total changes in ownership interests in subsidiaries	—	2	—	—	—	—	—
Total transactions with owners etc.	—	2,262	—	(8,282)	5,917	—	1,625
As of September 30, 2020	205,924	226,641	—	333,850	(86,388)	(14,742)	(934)

(3) Consolidated Statements of Changes in Equity (Summary) (Continued)

(Millions of Yen)

	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, 2020	(1,219)	(7,559)	(928)	(15,929)	735,672	1,528	737,200
Comprehensive income							
Net loss	—	—	—	—	(71,471)	(935)	(72,406)
Other comprehensive income, net of tax	2,229	1,630	9	(7,210)	(7,210)	244	(6,966)
Total comprehensive income	2,229	1,630	9	(7,210)	(78,681)	(691)	(79,372)
Transactions with owners etc.							
Contributions by and distributions to owners							
Issuance of shares	—	—	—	—	—	—	—
Issuance of other equity instruments	—	—	—	—	—	—	—
Cash dividends paid	—	—	—	—	(6,103)	—	(6,103)
Reclassified from other components of equity to retained earnings	—	—	—	1,625	—	—	—
Acquisition of treasury stock	—	—	—	—	—	—	—
Disposal of treasury stock	—	—	—	—	—	—	—
Issuance of shares with the exercise of share options	—	—	—	—	—	—	—
Disposal of treasury stock with the exercise of share options	—	—	—	—	1	—	1
Issuance of share acquisition rights	—	—	—	—	8,342	—	8,342
Forfeiture of share acquisition rights	—	—	—	—	—	—	—
Others	—	—	—	—	(720)	—	(720)
Total contributions by and distributions to owners	—	—	—	1,625	1,520	—	1,520
Changes in ownership interests in subsidiaries							
Issuance of shares	—	—	—	—	—	110	110
Acquisition and disposal of non-controlling interests	—	—	—	—	—	18,840	18,840
Others	—	—	—	—	2	870	872
Total changes in ownership interests in subsidiaries	—	—	—	—	2	19,820	19,822
Total transactions with owners etc.	—	—	—	1,625	1,522	19,820	21,342
As of September 30, 2020	1,010	(5,929)	(919)	(21,514)	658,513	20,657	679,170

(3) Consolidated Statements of Changes in Equity (Summary) (Continued)

(Millions of Yen)

	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	—	—	—	(92,262)	—	—	—
Other comprehensive income, net of tax	—	—	—	—	—	44,901	(3,662)
Total comprehensive income	—	—	—	(92,262)	—	44,901	(3,662)
Transactions with owners etc.							
Contributions by and distributions to owners							
Issuance of shares	80,000	79,047	—	—	—	—	—
Issuance of other equity instruments	—	—	317,316	—	—	—	—
Cash dividends paid	—	—	—	(6,131)	—	—	—
Reclassified from other components of equity to retained earnings	—	—	—	(682)	—	—	682
Acquisition of treasury stock	—	—	—	—	(0)	—	—
Disposal of treasury stock	—	(2,412)	—	—	84,759	—	—
Issuance of shares with the exercise of share options	2,999	(2,999)	—	—	—	—	—
Disposal of treasury stock with the exercise of share options	—	(182)	—	—	182	—	—
Issuance of share acquisition rights	—	8,351	—	—	—	—	—
Forfeiture of share acquisition rights	—	(110)	—	110	—	—	—
Others	—	810	—	(750)	—	—	—
Total contributions by and distributions to owners	82,999	82,505	317,316	(7,453)	84,941	—	682
Changes in ownership interests in subsidiaries							
Issuance of shares	—	—	—	—	—	—	—
Acquisition and disposal of non-controlling interests	—	122	—	—	—	—	—
Others	—	—	—	—	—	—	—
Total changes in ownership interests in subsidiaries	—	122	—	—	—	—	—
Total transactions with owners etc.	82,999	82,627	317,316	(7,453)	84,941	—	682
As of September 30, 2021	288,923	310,471	317,316	190,734	(0)	22,203	(4,210)

(3) Consolidated Statements of Changes in Equity (Summary) (Continued)

(Millions of Yen)

	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, 2021	939	(5,626)	(1,923)	(30,538)	608,738	20,276	629,014
Comprehensive income							
Net loss	—	—	—	—	(92,262)	(1,259)	(93,521)
Other comprehensive income, net of tax	154	280	(1)	41,672	41,672	1,676	43,348
Total comprehensive income	154	280	(1)	41,672	(50,590)	417	(50,173)
Transactions with owners etc.							
Contributions by and distributions to owners							
Issuance of shares	—	—	—	—	159,047	—	159,047
Issuance of other equity instruments	—	—	—	—	317,316	—	317,316
Cash dividends paid	—	—	—	—	(6,131)	—	(6,131)
Reclassified from other components of equity to retained earnings	—	—	—	682	—	—	—
Acquisition of treasury stock	—	—	—	—	(0)	—	(0)
Disposal of treasury stock	—	—	—	—	82,347	—	82,347
Issuance of shares with the exercise of share options	—	—	—	—	0	—	0
Disposal of treasury stock with the exercise of share options	—	—	—	—	—	—	—
Issuance of share acquisition rights	—	—	—	—	8,351	—	8,351
Forfeiture of share acquisition rights	—	—	—	—	—	—	—
Others	—	—	—	—	60	—	60
Total contributions by and distributions to owners	—	—	—	682	560,990	—	560,990
Changes in ownership interests in subsidiaries							
Issuance of shares	—	—	—	—	—	1,662	1,662
Acquisition and disposal of non-controlling interests	—	—	—	—	122	(293)	(171)
Others	—	—	—	—	—	(105)	(105)
Total changes in ownership interests in subsidiaries	—	—	—	—	122	1,264	1,386
Total transactions with owners etc.	—	—	—	682	561,112	1,264	562,376
As of September 30, 2021	1,093	(5,346)	(1,924)	11,816	1,119,260	21,957	1,141,217

(4) Consolidated Statements of Cash Flows (Summary)

(Millions of Yen)

	Nine months ended September 30, 2020 (January 1 to September 30, 2020)	Nine months ended September 30, 2021 (January 1 to September 30, 2021)
Cash flows from operating activities		
Loss before income tax	(119,599)	(105,563)
Depreciation and amortization	112,197	140,432
Other loss (income)	42,932	(124,651)
Decrease (Increase) in operating receivables	24,740	26,939
Decrease (Increase) in loans for credit card business	43,754	3,188
Increase (Decrease) in deposits for banking business	968,928	1,392,579
Net decrease (increase) in call loans for banking business	5,000	(5,407)
Decrease (Increase) in loans for banking business	(111,752)	(834,603)
Increase (Decrease) in operating payables	(74,934)	(59,498)
Decrease (Increase) in financial assets for securities business	(410,307)	(720,131)
Increase (Decrease) in financial liabilities for securities business	463,678	743,472
Increase and decrease in derivative assets and liabilities	4,141	(40,058)
Others	(75,051)	2,313
Income tax refund (paid)	(25,618)	(1,228)
Net cash flows from operating activities	848,109	417,784
Cash flows from investing activities		
Payments in time deposits	(5,903)	(6,494)
Proceeds from time deposits	8,119	5,777
Purchases of property, plant and equipment	(189,568)	(208,681)
Purchases of intangible assets	(72,764)	(84,823)
Acquisitions of subsidiaries	(20,106)	(41,904)
Proceeds from sales of subsidiaries	62,599	—
Acquisitions of investments in associates and joint ventures	(15,119)	(21,829)
Purchases of investment securities for banking business	(324,375)	(457,054)
Proceeds from sales and redemption of investment securities for banking business	361,595	317,582
Purchases of investment securities for insurance business	(63,796)	(37,651)
Proceeds from sales and redemption of investment securities for insurance business	51,897	64,372
Purchases of investment securities	(6,728)	(11,779)
Proceeds from sales and redemption of investment securities	32,017	57,774
Proceeds from sales and redemption of other financial assets	13,610	1,087
Other payments	(11,152)	(13,498)
Other proceeds	32,425	7,063
Net cash flows from investing activities	(147,249)	(430,058)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	193,425	(16,965)
Net increase (decrease) in commercial papers	163,500	30,000
Proceeds from long-term borrowings	354,167	517,611
Repayments of long-term borrowings	(260,802)	(146,827)
Redemptions of bonds	(40,000)	(88,766)
Proceeds from issuance of shares	—	159,047
Proceeds from issuance of other equity instruments	—	315,708
Proceeds from disposal of treasury stock	0	82,347
Repayments of lease liabilities	(24,712)	(32,412)
Cash dividends paid	(6,103)	(6,131)
Others	21,380	5,690
Net cash flows from financing activities	400,855	819,302

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

(Millions of Yen)

	Nine months ended September 30, 2020 (January 1 to September 30, 2020)	Nine months ended September 30, 2021 (January 1 to September 30, 2021)
Effect of change in exchange rates on cash and cash equivalents	(3,087)	13,370
Net increase (decrease) in cash and cash equivalents	1,098,628	820,398
Cash and cash equivalents at the beginning of the period	1,478,557	3,021,306
Cash and cash equivalents at the end of the period	2,577,185	3,841,704

(5) Assumptions for Going Concern for the nine months ended September 30, 2021

No items to report

(6) Notes to the Summary of Consolidated Financial Statements for the nine months ended September 30, 2021

(Basis of Presentation)

The Rakuten Group's summary of consolidated financial statements for the nine months ended September 30, 2021 meets the requirements set out under Article 1-2 of the Rules on Terminology, Formats and Compilation Methods of Quarterly Consolidated Financial Statements (Cabinet Office Ordinance No. 64 of 2007; hereinafter referred to as the "Rules on Quarterly Consolidated Financial Statements") under which the Rakuten Group is qualified as a "Specified Company under the Designated International Accounting Standards" and duly prepares such summary in accordance with IAS 34 "Interim Financial Reporting" under the provision of Article 93 of the Rules on Quarterly Consolidated Financial Statements. As this summary does not contain all the information required in annual consolidated statements, it is advised to be used in combination with the consolidated financial statements for the fiscal year ended December 31, 2020.

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

Except for the following, there were no significant changes neither in the scope of consolidation nor in the scope of equity method with respect to the summary of consolidated financial statements for the nine months ended September 30, 2021, as compared with the consolidated financial statements for the fiscal year ended December 31, 2020.

The equity method is applied to investments in SY Holdings Co., Ltd. (hereinafter "SY Holdings") from March 1, 2021, due to acquisitions of its shares.

The equity method is applied to equity investments in JP Rakuten Logistics, Inc. (reorganized from an LLC, JP Rakuten Logistics LLC. to a corporation on July 2, 2021) from the third quarter ended September 30, 2021.

On August 4, 2021, due to the additional acquisition of shares of AltioStar Networks, Inc. (hereinafter "AltioStar"), AltioStar was converted to a consolidated subsidiary from an equity method associate of the Company and is included in the scope of consolidation from the same date.

(Significant Accounting Policies)

Significant accounting policies adopted by the Rakuten Group in this summary of consolidated financial statements for the nine months ended September 30, 2021 basically remain the same as those adopted in the consolidated financial statements for the previous fiscal year. In addition, income tax expenses for the nine months ended September 30, 2021 are calculated based upon an estimated annual effective tax rate.

(Significant Accounting Estimates and Judgments)

Preparation of the summary of consolidated financial statements under IFRS for the nine months ended September 30, 2021 involves accounting estimates in respect of certain significant matters. In the process of adopting accounting policies, management of the Rakuten Group is required to make its own judgments. Resulting accounting estimates by their nature may be different from the actual outcome.

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

Estimates and judgments that have significant impact on the amounts in the consolidated financial statements for the nine months ended September 30, 2021 remain the same as those for the previous fiscal year, including those related to the spread of COVID-19, except for the following changes in accounting estimates.

We face uncertainties stemming from deteriorating economic conditions caused by the COVID-19 pandemic, including sluggish consumer spending and increases in the unemployment rate and corporate

bankruptcies. But their impact on the Company's management is limited, even in the actual business results since the first quarter ended March 31, 2020, when signs of worsening economic activity began to appear following the spread of COVID-19, as the Rakuten Group provides more than 70 services in a wide range of fields.

Although the spread of COVID-19 will still be a business risk for the Company, the Rakuten Group considers strategies to grow each business with flexible changes to their business model. Therefore, the pandemic has not resulted in changes in accounting estimates and judgments that would have an overall material impact on the summary of consolidated financial statements for the third quarter and the nine months ended September 30, 2021 at this time, except for the accounting estimate for the allowance for doubtful accounts related to the credit card business loans as mentioned below.

Although there has been no significant deterioration in collection of loans provided as part of the credit card business as of September 30, 2021, the accounting estimate of allowance for doubtful accounts has been adjusted as necessary to prepare for deteriorating credit risk and possible incurrence of losses in light of uncertainties based on the future spread of COVID-19.

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

(Changes in Accounting Estimates)

The Rakuten Group records provision for customer points. Regarding the provision for customer points, in preparation for the future use of points by members, the Rakuten Group uses historical experience to estimate the provision for the Rakuten Point Program.

In the past, transactions between businesses related to the granting and allocation of Rakuten points were subject to consumption tax, and we recorded provision for customer points in liabilities at an estimated amount of future use based on historical experience, after deducting the amount equivalent to consumption tax. However, reflecting its decision to revise the term of use for Rakuten Points from April 1, 2022, as described below, effective from the third quarter ended September 30, 2021, the Company has changed to a method of accounting for provision for customer points without deducting the amount equivalent to consumption tax for the use of points anticipated on or after the effective date of the revision.

Rakuten Points service is evolving not only as a common sales promotion tool in the Rakuten Ecosystem, but also as a payment tool. On the other hand, due to the recent changes in the consumption tax rate and the introduction of a reduced tax rate system, business operators' responses to consumption tax have become more complicated and their burden has increased. In light of this situation, the Rakuten Group has decided to revise the terms of use for Rakuten Points so that the points will not be affected by the consumption tax from April 1, 2022.

As a result of the above change to the calculation of provision for customer points, or the cancellation of deduction of the amount equivalent to consumption tax from provision for the use of points anticipated on or after April 1, 2022, provisions in liabilities increased by ¥5,578 million and operating expenses increased by the same amount compared with the figures calculated using the previous method. In addition, operating loss and loss before income tax increased by ¥5,578 million each for the third quarter and the nine months ended September 30, 2021.

(Segment Information)

i. General Information

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

For the reportable segments, separate financial information on the operational units of the Rakuten Group is available, and such financial information is subject to periodic review for the Board of Directors to decide on the distribution of management resources and evaluate performance.

The “Internet Services” segment comprises businesses providing various e-commerce sites including internet shopping mall “Rakuten Ichiba”, online cash-back sites, travel booking sites, portal sites, and digital content sites 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 over the Internet related to banking and securities, credit cards, life insurance, general insurance and electronic money.

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

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

Operating segment information is reported in accordance with IFRS. Operating segment revenue and profit or loss amounts are those before intersegment eliminations, without consideration of consolidation adjustments, except for certain consolidated subsidiaries. The internal measures management relies upon in making decisions are Non-GAAP operating income, which is calculated by adjusting the nonrecurring items and other adjustment items prescribed by the Rakuten Group from the operating income recorded in accordance with IFRS.

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

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

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

(Millions of Yen)

	Internet Services	FinTech	Mobile	Total
Segment revenue	607,421	425,727	128,272	1,161,420
Segment profit (loss)	6,427	63,391	(150,682)	(80,864)

Nine months ended September 30, 2021 (January 1 to September 30, 2021)

(Millions of Yen)

	Internet Services	FinTech	Mobile	Total
Segment revenue	702,248	455,589	162,208	1,320,045
Segment profit (loss)	83,401	68,236	(302,519)	(150,882)

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

(Millions of Yen)

	Internet Services	FinTech	Mobile	Total
Segment revenue	214,615	143,965	45,369	403,949
Segment profit (loss)	8,589	22,309	(61,450)	(30,552)

Three months ended September 30, 2021 (July 1 to September 30, 2021)

(Millions of Yen)

	Internet Services	FinTech	Mobile	Total
Segment revenue	239,437	150,864	54,941	445,242
Segment profit (loss)	24,495	21,162	(105,237)	(59,580)

Note: To enhance collaboration and synergy between digital content services and mobile services, the Rakuten Group has transferred some of its businesses and subsidiaries to other segments from the fourth quarter ended December 31, 2020. The main change was made to businesses that provide digital content sites in the Internet Services segment, which were transferred to the Mobile segment. In addition, from the second quarter ended June 30, 2021, the Rakuten Group has reviewed its business management system with the aim of expanding the Rakuten Ecosystem in North America. Accordingly, some businesses and subsidiaries providing digital content sites in North America and those engaged in messaging services have been transferred to other segments. The main change was made to Rakuten Kobo Inc., included in the Mobile segment from the fourth quarter ended December 31, 2020, as well as to Viber Media S.a.r.l. included in the Mobile segment, which were transferred to the Internet Services segment. In line with these changes, segment information for the third quarter and the nine months ended September 30, 2020 has been restated. As a result, some businesses and subsidiaries engaged in messaging services and those operating digital content sites in regions other than North America are now included in the Internet Services segment and the Mobile segment, respectively.

Reconciliation from Segment Revenue to Consolidated Revenue

(Millions of Yen)

	Nine months ended September 30, 2020 (January 1 to September 30, 2020)	Nine months ended September 30, 2021 (January 1 to September 30, 2021)
Segment revenue	1,161,420	1,320,045
Intercompany transactions, etc.	(121,230)	(119,471)
Consolidated revenue	1,040,190	1,200,574

(Millions of Yen)

	Three months ended September 30, 2020 (July 1 to September 30, 2020)	Three months ended September 30, 2021 (July 1 to September 30, 2021)
Segment revenue	403,949	445,242
Intercompany transactions, etc.	(42,527)	(38,339)
Consolidated revenue	361,422	406,903

Reconciliation from Segment Loss to Loss before Income Tax

(Millions of Yen)

	Nine months ended September 30, 2020 (January 1 to September 30, 2020)	Nine months ended September 30, 2021 (January 1 to September 30, 2021)
Segment loss	(80,864)	(150,882)
Intercompany transactions, etc.	1,487	2,023
Non-GAAP operating loss	(79,377)	(148,859)
Amortization of intangible assets	(7,910)	(5,615)
Share based compensation expenses	(8,036)	(7,727)
One-off items (Note)	34,804	53,839
Operating loss	(60,519)	(108,362)
Financial income and expenses	(21,098)	(16,230)
Share of income (losses) of investments in associates and joint ventures	(37,982)	19,029
Loss before income tax	(119,599)	(105,563)

Note: One-off items listed for the nine months ended September 30, 2020 include a gain on sale of all shares in OverDrive Holdings, Inc. (hereinafter "OverDrive") of ¥40,926 million and impairment of property, plant and equipment etc. due to the closure of certain U.S. based business. One-off items listed for the nine months ended September 30, 2021 include a gain on step acquisition of ¥59,496 million as a result of making Altiostar a wholly-owned subsidiary of the Company and expenses of ¥5,578 million associated with an increase in provision for customer points as a result of changes in the Rakuten Point Terms of Use.

(Millions of Yen)

	Three months ended September 30, 2020 (July 1 to September 30, 2020)	Three months ended September 30, 2021 (July 1 to September 30, 2021)
Segment loss	(30,552)	(59,580)
Intercompany transactions, etc.	1,898	1,845
Non-GAAP operating loss	(28,654)	(57,735)
Amortization of intangible assets	(2,607)	(1,281)
Share based compensation expenses	(2,414)	(2,296)
One-off items (Note)	(6,123)	53,839
Operating loss	(39,798)	(7,473)
Financial income and expenses	(14,188)	(10,545)
Share of losses of investments in associates and joint ventures	(25,261)	(5,781)
Loss before income tax	(79,247)	(23,799)

Note: One-off items listed for the three months ended September 30, 2020, include impairment of property, plant and equipment etc. due to the closure of certain U.S. based business. One-off items listed for the three months ended September 30, 2021 include a gain on step acquisition of ¥59,496 million as a result of making Altiostar a wholly-owned subsidiary of the Company and expenses of ¥5,578 million associated with an increase in provision for customer points as a result of changes in the Rakuten Point Terms of Use.

(Breakdown of Operating Expenses)

(Millions of Yen)

	Nine months ended September 30, 2020 (January 1 to September 30, 2020)	Nine months ended September 30, 2021 (January 1 to September 30, 2021)
Advertising and promotion expenditures	175,986	240,465
Employee benefits expenses	174,832	197,236
Depreciation and amortization	112,197	140,432
Communication and maintenance expenses	28,440	43,627
Consignment and subcontract expenses	71,287	90,630
Allowance for doubtful accounts charged to expenses	33,163	27,879
Cost of sales of merchandise and services rendered	373,037	480,158
Interest expense for finance business	6,792	9,363
Commission fee expense for finance business	10,903	13,029
Insurance claims and other payments, and provision of insurance business policy reserves	43,087	38,197
Others	95,427	123,839
Total	1,125,151	1,404,855

(Other Income and Other Expenses)
(1) Breakdown of Other Income

(Millions of Yen)

	Nine months ended September 30, 2020 (January 1 to September 30, 2020)	Nine months ended September 30, 2021 (January 1 to September 30, 2021)
Gain on sales of subsidiary (Note 1)	40,926	—
Valuation gains on securities (Note 2)	—	37,140
Gain on step acquisitions (Note 3)	754	59,496
Others	3,914	7,041
Total	45,594	103,677

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

Note 2: Valuation gains on securities related to investments in FinTech-related companies in the investment business of ¥27,658 million was recorded during the nine months ended September 30, 2021.

Note 3: A gain on step acquisition of ¥59,496 million was recorded as a result of making AltioStar a wholly-owned subsidiary of the Company during the nine months ended September 30, 2021.

(2) Breakdown of Other Expenses

(Millions of Yen)

	Nine months ended September 30, 2020 (January 1 to September 30, 2020)	Nine months ended September 30, 2021 (January 1 to September 30, 2021)
Foreign exchange losses	1,671	84
Losses on disposal of property, plant and equipment and intangible assets	885	893
Valuation losses on securities	7,659	—
Impairment losses	4,129	3,025
Others	6,808	3,756
Total	21,152	7,758

(Financial Income and Financial Expenses)

(1) Breakdown of Financial Income

(Millions of Yen)

	Nine months ended September 30, 2020 (January 1 to September 30, 2020)	Nine months ended September 30, 2021 (January 1 to September 30, 2021)
Interest income	457	484
Gains on valuation of securities (Note)	244	28,919
Others	251	155
Total	952	29,558

Note: Valuation gains on securities related to an investment in Lyft, Inc. (hereinafter “Lyft”) of ¥28,062 million was recorded during the nine months ended September 30, 2021.

(2) Breakdown of Financial Expenses

(Millions of Yen)

	Nine months ended September 30, 2020 (January 1 to September 30, 2020)	Nine months ended September 30, 2021 (January 1 to September 30, 2021)
Interest expenses	9,810	13,219
Losses on valuation of derivatives (Note)	692	20,914
Foreign exchange losses	—	5,884
Losses on valuation of securities	10,968	—
Others	580	5,771
Total	22,050	45,788

Note: Valuation gains on securities related to an investment in Lyft of ¥20,341 million was recorded during the nine months ended September 30, 2021.

(Share of Income of Investments in Associates and Joint Ventures)

During the first quarter ended March 31, 2021, the Rakuten Group made investments in shares of SY Holdings, which have been accounted for using the equity method. As a result, the Rakuten Group recorded income of ¥20,793 million in share of income of investments in associates and joint ventures, mainly including a gain from the bargain purchase of SY Holdings proportional to the share held by the Rakuten Group, in the Consolidated Statements of Income (Summary) for the nine months ended September 30, 2021. Because the measurement of fair values of the identifiable assets and liabilities as of the acquisition date was incomplete and the calculation of the difference with the cost of the investment was unfinished as of September 30, 2021, the gain from the bargain purchase is a provisional amount based on all information available as of the acquisition date. Accordingly, the amount of gain from the bargain purchase may change when the measurement of fair values of identifiable assets and liabilities is completed.

(Notes on Significant Subsequent Events)

No items to report