

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").

Rakuten, Inc.
February 12, 2021

Company name Rakuten, Inc. Listed Tokyo Stock Exchange
Code No 4755 URL <https://www.rakuten.co.jp/>
Representative (Title) Chairman and CEO (Name) Hiroshi Mikitani
Contact person (Title) CFO (Name) Kenji Hirose
Scheduled date of Annual General Shareholders Meeting: March 30, 2021
Scheduled date of submission of Securities Report: March 30, 2021
Scheduled start date of dividend payment: March 15, 2021
Supplementary materials for financial results: Yes
Financial results information meeting held: Yes (For institutional investors and analysts)

1. Consolidated Results for the Fiscal Year ended December 31, 2020 (January 1 – December 31, 2020)

(Yen amounts are rounded to the nearest million)

(1) Consolidated Operating Results

(%, YoY)

	Revenue		Operating income		Income before income tax		Net income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Fiscal Year ended December 31, 2020	1,455,538	15.2	(93,849)	—	(151,016)	—	(115,838)	—
Fiscal Year ended December 31, 2019	1,263,932	14.7	72,745	(57.3)	(44,558)	—	(33,068)	—

	Net income attributable to owners of the Company		Comprehensive income		Basic earnings per share attributable to owners of the Company	Diluted earnings per share attributable to owners of the Company
	Millions of Yen	%	Millions of Yen	%	Yen	Yen
Fiscal Year ended December 31, 2020	(114,199)	—	(132,401)	—	(84.00)	(84.00)
Fiscal Year ended December 31, 2019	(31,888)	—	(42,818)	—	(23.55)	(23.55)

	ROE (Return on equity attributable to owners of the Company)	ROA (Ratio of income before income tax to total assets)	OI margin (Ratio of operating income to revenue)
	%	%	%
Fiscal Year ended December 31, 2020	(17.0)	(1.4)	(6.4)
Fiscal Year ended December 31, 2019	(4.2)	(0.5)	5.8

(2) Consolidated Financial Position

	Total assets	Total equity	Total equity attributable to owners of the Company	Ratio of total equity attributable to owners of the Company to total assets	Total equity attributable to owners of the Company per share
	Millions of Yen	Millions of Yen	Millions of Yen	%	Yen
As of December 31, 2020	12,524,438	629,014	608,738	4.9	446.78
As of December 31, 2019	9,165,697	737,200	735,672	8.0	542.43

(3) Consolidated Cash Flows

	Net cash flows from operating activities	Net cash flows from investing activities	Net cash flows from financing activities	Cash and cash equivalents, end of year
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Fiscal Year ended December 31, 2020	1,041,391	(303,347)	808,108	3,021,306
Fiscal Year ended December 31, 2019	318,320	(286,290)	458,340	1,478,557

2. Dividends

	Dividend per Share					Total dividend (Year)	Dividend ratio (Consolidated)	Ratio of dividend to total equity attributable to owners of the Company (Consolidated)
	1Q	2Q	3Q	4Q	Year			
	Yen	Yen	Yen	Yen	Yen	Millions of Yen	%	%
FY2019	—	0.00	—	4.50	4.50	6,103	—	0.8
FY2020	—	0.00	—	4.50	4.50	6,131	—	0.9
FY2021 (Forecast)	—	—	—	—	—		—	

Note: Dividend per share for the fiscal year ending December 31, 2021 has not been decided yet

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 revenues, excluding the securities business whose results are heavily impacted by stock market conditions.

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

Notes

(1) Changes in Significant Subsidiaries during the Current Period

(Changes in Specified Subsidiaries resulting in Change in Scope of Consolidation): Yes

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

Excluded: — (Company name —)

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

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

(3) Number of Shares Issued (Common stock)

1. Total number of shares issued at the end of the period (including treasury stocks)
1,434,573,900 shares (As of December 31, 2020)
1,434,573,900 shares (As of December 31, 2019)
2. Number of treasury stocks at the end of the period
72,073,137 shares (As of December 31, 2020)
78,318,938 shares (As of December 31, 2019)
3. Average number of shares during the period (cumulative from the beginning of the year)
1,359,477,579 shares (January 1 – December 31, 2020)
1,354,166,827 shares (January 1 – December 31, 2019)

This financial report is not subject to audit.

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

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

1. Overview of Business Results, etc.

(1) Overview of Business Results for the Fiscal Year ended December 31, 2020

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 Fiscal Year ended December 31, 2020 (Non-GAAP basis)

The world economy during the fiscal year ended December 31, 2020 remains severe due to the spread of COVID-19, but is beginning to recover. The Japanese economy is also expected to follow in the footsteps of the world economy, mainly due to the effects of various policy measures. On the other hand, trends such as effects of COVID-19 in Japan and elsewhere, along with financial market changes require us to remain vigilant. Against this backdrop, Japan’s Ministry of Health, Labour and Welfare is requesting that people practice a “New Lifestyle” to prevent the spread of COVID-19, including shopping online and utilizing electronic payments. IT companies provide the Internet services and online financial services that enable people to purchase products and enjoy services while reducing contact with others, and the social role expected 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, transaction volumes showed major growth in domestic e-commerce services. For example, factors such as the success of unified measures for free shipping threshold on “Rakuten Ichiba”, the internet shopping mall, and the impact of stay-at-home consumption amid the COVID-19 pandemic, drove its annual gross merchandise sales to exceed ¥3 trillion for the first time. In the FinTech segment, transaction volume of credit card shopping with Rakuten Card exceeded ¥11 trillion for the fiscal year ended December 31, 2020, as the customer base for each service continues to grow. In the Mobile segment, the expansion of the areas covered under its own network lines, along with various marketing strategies proved successful, and the cumulative number of applications for subscription topped 2 million in December 2020.

As a result, the Rakuten Group recorded revenue of ¥1,455,538 million, up 15.2% year-on-year, but due to ongoing prior investments in the Mobile segment, such as the installment of its own base stations, it recorded Non-GAAP operating losses of ¥102,667 million, compared to Non-GAAP operating income of ¥95,129 million in the previous fiscal year.

(Non-GAAP)

(Millions of Yen)

	Fiscal Year ended December 31, 2019	Fiscal Year ended December 31, 2020	Amount Change YoY	% Change YoY
Revenue	1,263,932	1,455,538	191,606	15.2%
Non-GAAP Operating income (loss)	95,129	(102,667)	(197,796)	—%

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

For the fiscal year ended December 31, 2020, amortization of intangible assets of ¥9,502 million and share based compensation expenses of ¥10,612 million were excluded from Non-GAAP operating income. One-off items listed for the fiscal year ended December 31, 2020 include a gain on sales of all shares in OverDrive Holdings, Inc. of ¥40,926 million, losses on investments in the filmmaking business of ¥3,277 million, and impairment of fixed assets due to the closure of a U.S. based business. For the previous fiscal year, one-off items including an impairment loss on property, plant and equipment in the U.S. etc., of ¥3,483 million were recorded.

(Millions of Yen)

	Fiscal Year ended December 31, 2019	Fiscal Year ended December 31, 2020	Amount Change YoY
Non-GAAP operating income (loss)	95,129	(102,667)	(197,796)
Amortization of intangible assets (PPA)	(8,764)	(9,502)	(738)
Share based compensation expenses	(10,137)	(10,612)	(475)
One-off items	(3,483)	28,932	32,415
IFRS operating income (loss)	72,745	(93,849)	(166,594)

iii) Business Results for the Fiscal Year ended December 31, 2020 (IFRS basis)

For the fiscal year ended December 31, 2020, the Rakuten Group recorded revenue of ¥1,455,538 million, up 15.2% year-on-year, and an IFRS operating loss of ¥93,849 million, compared with IFRS operating income of ¥72,745 million in the fiscal year ended December 31, 2019, and net loss attributable to owners of the Company of ¥114,199 million, compared with net loss of ¥31,888 million in the fiscal year ended December 31, 2019.

(IFRS)

(Millions of Yen)

	Fiscal Year ended December 31, 2019	Fiscal Year ended December 31, 2020	Amount Change YoY	% Change YoY
Revenue	1,263,932	1,455,538	191,606	15.2%
IFRS operating income (loss)	72,745	(93,849)	(166,594)	—%
Net loss attributable to owners of the Company	(31,888)	(114,199)	(82,311)	—%

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, some businesses and subsidiaries have been transferred to other segments from the fiscal year ended December 31, 2020. The main change was made to businesses that operate digital content sites, including Rakuten Kobo Inc. in the Internet Services segment, which were transferred to the Mobile segment. Segment information for the previous fiscal year has been restated accordingly.

Internet Services

In domestic e-commerce services, the mainstay of Internet Services, the Rakuten Group is aiming for further growth in gross merchandise sales and revenues by working on various initiatives, including sales promotion activities to cultivate loyal customers and win new customers, promotion of cross-use of services, and further opening up the Rakuten Ecosystem. The Rakuten Group works to mitigate the medium- to long-term impact of volume limits and increases in shipping fees and enhances the convenience of both customers and merchants who use Rakuten services by carrying out reinforcement of its logistics network and introducing a unified free shipping threshold. These efforts include increasing capacity of the Rakuten Group's logistics facilities to accept products for stores on the Rakuten marketplace and expanding the last mile delivery area covered by the Rakuten Group based on the One Delivery concept of providing comprehensive logistics services. Services such as the Internet shopping mall "Rakuten Ichiba" and "Rakuten 24", which sells medical supplies and daily necessities, etc. by mail order, saw an uplift in transaction volume due to increased demand for online shopping following the growth in so-called "stay-at-home consumption" triggered by the voluntary restraints on outings intended to prevent the spread of COVID-19. The online travel booking service, Rakuten Travel, was affected by a slump in reservations and a series of cancellations due to factors including the voluntary restraint on outings and the declaration of a state of emergency. However, revenue improved particularly in the third quarter onward, benefiting mainly from the government's "Go To Travel" program launched in July 2020. Income improved as a result of measures including cost efficiency improvements. On the other hand, in December 2020, the government announced the suspension of the program to prevent the resurgence of COVID-19, which has since negatively impacted accommodation booking services in particular. In services for professional sporting events, revenue decreased as the number of visitors was restricted in professional baseball's regular-season games and soccer's league competitions, but income improved amid the gradual relaxation of restrictions.

As a result, revenue for the Internet Services segment rose to ¥820,115 million, a 10.3% year-on-year increase, while segment profit stood at ¥40,114 million, down 62.6% from the previous fiscal year.

(Millions of Yen)

	Fiscal Year ended December 31, 2019	Fiscal Year ended December 31, 2020	Amount Change YoY	% Change YoY
Segment revenue	743,266	820,115	76,849	10.3%
Segment profit	107,211	40,114	(67,097)	(62.6)%

FinTech

In credit card related services, Rakuten Card's membership base continued to expand after the number of its members topped 20 million in June 2020 and 21 million in November 2020, and while consumption remains constrained in lodging and dining services, the growth in transaction volume mainly in online shopping contributed to increases in revenue and profit, which leads transaction value of credit card shopping with Rakuten Card exceeded ¥11 trillion for the fiscal year ended December 31, 2020. In banking services as well, the number of newly acquired bank accounts rose steadily after the total number of accounts exceeded 9 million in June 2020, leading to increased income from service transactions, etc. and contributing to revenue growth. Similarly, in securities services as well, the number of newly opened accounts continued to rise significantly, with the total number of cash management accounts topping 5 million in December 2020, and at the same time, domestic shares and FX trading commissions rose. The resulting increase in commission earnings mainly contributed to higher revenue and profit.

As a result, the FinTech segment recorded ¥576,195 million in revenue, an 18.5% year-on-year increase, while segment profit stood at ¥81,291 million, a 17.3% year-on-year increase.

(Millions of Yen)

	Fiscal Year ended December 31, 2019	Fiscal Year ended December 31, 2020	Amount Change YoY	% Change YoY
Segment revenue	486,372	576,195	89,823	18.5%
Segment profit	69,306	81,291	11,985	17.3%

Mobile

In the Mobile segment, 5G service commenced in September following the launch of full-scale services in April 2020. After the cumulative number of applications for subscription topped 2 million in December 2020, the Rakuten Group made further progress in winning more customers both in and outside the Rakuten Ecosystem. It is accelerating the installment of base stations and expanding its service area with its own network lines while seeking to improve its network quality. The digital contents services, which includes e-book and video streaming services, continues to expand its customer base, fueled by expanding demand for online content services amid the COVID-19 crisis in particular.

As a result, revenue for the Mobile segment rose to ¥227,142 million, up 34.4% year-on-year, but segment losses reached ¥226,976 million, compared to losses of ¥76,524 million in the previous fiscal year as prior investments continued mainly for the installment of the Group's own base stations in the mobile business.

(Millions of Yen)

	Fiscal Year ended December 31, 2019	Fiscal Year ended December 31, 2020	Amount Change YoY	% Change YoY
Segment revenue	169,054	227,142	58,088	34.4%
Segment loss	(76,524)	(226,976)	(150,452)	—%

(2) Overview of Financial Position for the Fiscal Year ended December 31, 2020

i) Assets, Liabilities, and Equity

Assets

Total assets as of December 31, 2020 amounted to ¥12,524,438 million, an increase of ¥3,358,741 million from ¥9,165,697 million at the end of the previous fiscal year. The primary factors were an increase of ¥1,542,749 million in cash and cash equivalents, an increase of ¥697,220 million in financial assets for securities business, and an increase of ¥386,520 million in loans for banking business.

Liabilities

Total liabilities as of December 31, 2020 amounted to ¥11,895,424 million, an increase of ¥3,466,927 million from ¥8,428,497 million at the end of the previous fiscal year. The primary factors include an increase of ¥1,555,414 million in deposits for banking business, an increase of ¥760,361 million in bonds and debts, and an increase of ¥726,582 million in financial liabilities of securities business.

Equity

Total equity as of December 31, 2020 was ¥629,014 million, a decrease of ¥108,186 million from ¥737,200 million at the end of the previous fiscal year. The primary factors include a decrease of ¥123,154 million in retained earnings due mainly to the recording of ¥114,199 million in net loss attributable to owners of the Company during the fiscal year ended December 31, 2020.

(3) Overview of Cash Flows for the Fiscal Year ended December 31, 2020

Cash and cash equivalents as of December 31, 2020 stood ¥3,021,306 million, an increase of ¥1,542,749 million from the end of the previous fiscal year. Cash flow conditions and their main factors for the fiscal year ended December 31, 2020 are as follows.

Net Cash Flows from Operating Activities

Net cash flows from operating activities for the fiscal year ended December 31, 2020 resulted in a cash inflow of ¥1,041,391 million (compared with a cash inflow of ¥318,320 million for the previous fiscal year). Main factors included a cash outflow of ¥697,382 million due to an increase in financial assets for securities business and a cash outflow of ¥386,520 million due to an increase in loans of banking business, offset by a cash inflow of ¥1,555,229 million due to an increase in deposits of banking business and a cash inflow of ¥726,799 million due to an increase in financial liabilities for securities business.

Net Cash Flows from Investing Activities

Net cash flows from investing activities for the fiscal year ended December 31, 2020 resulted in a cash outflow of ¥303,347 million (compared with a cash outflow of ¥286,290 million for the previous fiscal year). Main factors included a net cash inflow of ¥6,039 million due to purchase and sales, etc. of investment securities for banking business (a cash outflow of ¥467,460 million due to purchase of investment securities, and a cash inflow of ¥473,499 million due to sales and redemption of investment securities), offset by a cash outflow of ¥279,278 million due to purchase of property, plant and equipment, and a cash outflow of ¥105,796 million due to purchase of intangible assets.

Net Cash Flows from Financing Activities

Net cash flows from financing activities for the fiscal year ended December 31, 2020 resulted in a cash inflow of ¥808,108 million (compared with a cash inflow of ¥458,340 million for the previous fiscal year). Main factors included a cash outflow of ¥324,141 million due to repayment of long-term debts, offset by a cash inflow of ¥424,590 million due to proceeds from long-term debts, a cash inflow of ¥411,279 million due to an increase in short-term debts, and a cash inflow of ¥148,900 million due to proceeds from issuance of bonds.

(4) Future Outlook

For the forecast of consolidated operating results for the fiscal year ending December 31, 2021, the Rakuten Group aims at double-digit growth on the fiscal year ended December 31, 2020 for consolidated revenue, excluding results from the securities business which are impacted substantially by the share market. However, there is a possibility that some businesses may experience a decrease in revenue due to the impact of COVID-19.

The outlook for each segment is as follows.

Internet Services

In the area of domestic Internet Services including e-commerce, the Rakuten Group will continue to aim for further growth in gross transaction value and revenue by pursuing various initiatives, such as cultivating a loyal customer base, winning new customers, promoting cross-use of services, strengthening its logistics network with a view to expanding the e-commerce platform, and further opening up the Rakuten Ecosystem, while creating new markets through the use of technologies such as data and AI. In the travel booking service “Rakuten Travel”, while recovery is expected predominantly in domestic travel, developments such as the suspension of the “Go To Travel” program announced in December 2020, and a state of emergency declared in some regions in January 2021, intensify the sense of uncertainty about the future. Depending on future impact of COVID-19, revenue and profit may decline. In overseas Internet services, we aim to expand the Rakuten Ecosystem's membership base, raise the profile of the brand, and provide new value to users.

FinTech

In credit card related services, we will continue striving to achieve further growth in shopping transaction value by strengthening marketing initiatives aimed at expanding market share and synergy. In banking services, the business base is expected to expand due to factors including the acquisition of new accounts. In insurance services, we will aim for further growth by increasing the number of new policies and expanding our products that have a high level of affinity with Internet services. It is difficult to make a forecast for securities services due to the substantial impact of share market conditions.

Mobile

In the mobile phone carrier business, which launched full-scale services on April 8, 2020, revenue is expected to increase as the campaigns offering one year of free telecommunication charges start 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.

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

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

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

For the fiscal year ended December 31, 2020, the Company decided to pay a dividend of ¥4.5 per share (¥4.5 per share for the previous fiscal year) at the Meeting of the Board of Directors held on February 12, 2021, in accordance with the aforementioned basic policy.

(Reference) Trends in Dividend per Share

	Fiscal Year ended December 31, 2016	Fiscal Year ended December 31, 2017	Fiscal Year ended December 31, 2018	Fiscal Year ended December 31, 2019	Fiscal Year ended December 31, 2020
Dividend per Share (Yen)	4.50	4.50	4.50	4.50	4.50

Purchase of treasury stock will be determined flexibly, as a financial measure for the purpose of contributing to the enhancement of shareholder value.

(Reason for Difficulty in Making a Dividend Forecast)

The company's policy to maintain stable dividends runs alongside our strategy to retain sufficient income to build the reserves needed to develop our operations and maintain a sound financial structure. Allowing for flexible judgment in the fiscal year ending December 31, 2021, a dividend forecast is not provided.

2. Basic Policy on the Selection of Accounting Standards

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

2. Consolidated Financial Statements

(1) Consolidated Statements of Financial Position

(Millions of Yen)

	As of December 31, 2019	As of December 31, 2020
Assets		
Cash and cash equivalents	1,478,557	3,021,306
Accounts receivable – trade	222,485	243,886
Financial assets for securities business	1,976,009	2,673,229
Loans for credit card business	1,828,216	2,033,013
Investment securities for banking business	272,711	266,227
Loans for banking business	1,049,993	1,436,513
Investment securities for insurance business	287,200	283,969
Derivative assets	28,050	32,644
Investment securities	163,259	275,236
Other financial assets	390,234	492,686
Investments in associates and joint ventures	177,199	58,072
Property, plant and equipment	376,424	684,110
Intangible assets	609,450	639,589
Deferred tax assets	80,153	126,203
Other assets	225,757	257,755
Total assets	9,165,697	12,524,438
Liabilities		
Accounts payable – trade	329,483	337,427
Deposits of banking business	3,160,748	4,716,162
Financial liabilities of securities business	1,860,645	2,587,227
Derivative liabilities	10,172	78,318
Bonds and debts	1,727,096	2,487,457
Other financial liabilities	820,440	1,131,505
Income tax payable	12,952	8,700
Provisions	109,845	162,579
Insurance business policy reserves	318,090	285,336
Employee retirement benefit liabilities	11,374	19,272
Deferred tax liabilities	2,049	1,920
Other liabilities	65,603	79,521
Total liabilities	8,428,497	11,895,424
Equity		
Equity attributable to owners of the Company		
Common stock	205,924	205,924
Capital surplus	224,379	227,844
Retained earnings	413,603	290,449
Treasury stock	(92,305)	(84,941)
Other components of equity	(15,929)	(30,538)
Total equity attributable to owners of the Company	735,672	608,738
Non-controlling interests	1,528	20,276
Total equity	737,200	629,014
Total liabilities and equity	9,165,697	12,524,438

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

(Millions of Yen)

	Fiscal Year ended December 31, 2019 (January 1 to December 31, 2019)	Fiscal Year ended December 31, 2020 (January 1 to December 31, 2020)
Continuing Operations		
Revenue	1,263,932	1,455,538
Operating expenses	1,266,902	1,579,630
Other income	86,901	54,483
Other expenses	11,186	24,240
Operating income (loss)	72,745	(93,849)
Financial income	3,642	60,150
Financial expenses	9,027	79,607
Share of losses of investments in associates and joint ventures	(111,918)	(37,710)
Loss before income tax	(44,558)	(151,016)
Income tax expense	(11,490)	(35,178)
Net loss	(33,068)	(115,838)
Net loss attributable to:		
Owners of the Company	(31,888)	(114,199)
Non-controlling interests	(1,180)	(1,639)
Net loss	(33,068)	(115,838)
(Yen)		
Loss per share attributable to owners of the Company		
Basic	(23.55)	(84.00)
Diluted	(23.55)	(84.00)

Consolidated Statements of Comprehensive Income

(Millions of Yen)

	Fiscal Year ended December 31, 2019 (January 1 to December 31, 2019)	Fiscal Year ended December 31, 2020 (January 1 to December 31, 2020)
Net loss	(33,068)	(115,838)
Other comprehensive income		
Items that will not be reclassified to net income		
Gains (Losses) on equity instruments measured at fair value through other comprehensive income	16,505	(18,898)
Income tax effect of gains or losses on equity instruments measured at fair value through other comprehensive income	(4,061)	4,680
Remeasurement of insurance policy reserves based on current market interest rates	(4,582)	2,684
Income tax effect of remeasurement of insurance policy reserves based on current market interest rates	1,283	(752)
Remeasurement of defined benefit plans	(1,257)	(1,434)
Income tax effect of remeasurement of defined benefit plans	376	439
Share of other comprehensive income of associates and joint ventures	25	(57)
Total items that will not be reclassified to net income	8,289	(13,338)
Items that will be reclassified to net income		
Foreign currency translation adjustments	(11,211)	(18,415)
Foreign currency translation adjustments due to disposal of overseas sales activities	154	7,578
Income tax on foreign exchange differences	1,166	(1,166)
Gains (Losses) on debt instruments measured at fair value through other comprehensive income	1,560	1,616
Allowances for doubtful debts on debt instruments measured at fair value through other comprehensive income	(123)	34
Gains (Losses) on debt instruments measured at fair value through other comprehensive income reclassified from other comprehensive income to net income	(1,420)	(254)
Income tax effect of gains or losses on debt instruments measured at fair value through other comprehensive income	7	(403)
Gains (Losses) on cash flow hedges recognized in other comprehensive income	(1,652)	(766)
Income tax effect of gains or losses on cash flow hedges recognized in other comprehensive income	431	239
Gains (Losses) on cash flow hedges reclassified from other comprehensive income to net income	649	3,893
Income tax effect of gains or losses on cash flow hedges reclassified from other comprehensive income to net income	(136)	(1,208)
Share of other comprehensive income of associates and joint ventures	(7,464)	(2,015)
Gains (Losses) reclassified from share of other comprehensive income of associates and joint ventures	—	7,642
Total items that will be reclassified to net income	(18,039)	(3,225)
Other comprehensive income (loss), net of tax	(9,750)	(16,563)
Comprehensive income (loss)	(42,818)	(132,401)

Consolidated Statements of Comprehensive Income (Continued)

(Millions of Yen)

	Fiscal Year ended December 31, 2019 (January 1 to December 31, 2019)	Fiscal Year ended December 31, 2020 (January 1 to December 31, 2020)
Comprehensive income (loss) attributable to:		
Owners of the Company	(41,643)	(131,130)
Non-controlling interests	(1,175)	(1,271)
Comprehensive income (loss)	<u>(42,818)</u>	<u>(132,401)</u>

(3) Consolidated Statements of Changes in Equity

(Millions of Yen)

	Common Stock	Capital Surplus	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, 2019	205,924	218,856	424,568	(97,300)	1,462	25,781	
Cumulative impact from change in accounting policies	—	—	(2,087)	—	—	—	
Current period balance reflecting change in accounting policy	205,924	218,856	422,481	(97,300)	1,462	25,781	
Comprehensive income							
Net loss	—	—	(31,888)	—	—	—	
Other comprehensive income (loss) net of tax	—	—	—	—	(17,354)	12,487	
Total comprehensive income (loss)	—	—	(31,888)	—	(17,354)	12,487	
Transactions with owners							
Contributions by and distributions to owners							
Cash dividends paid	—	—	(6,084)	—	—	—	
Reclassification from other components of equity to retained earnings	—	—	28,599	—	—	(28,599)	
Disposal of treasury stock with the exercise of share options	—	(4,927)	—	4,995	—	—	
Issuance of share acquisition rights	—	10,584	—	—	—	—	
Forfeiture of share acquisition rights	—	(93)	93	—	—	—	
Others	—	—	153	—	—	—	
Total contributions by and distributions to owners	—	5,564	22,761	4,995	—	(28,599)	
Changes in ownership interests in subsidiaries							
Issuance of stock	—	—	—	—	—	—	
Acquisition or disposal of non-controlling interests	—	—	—	—	—	—	
Others	—	(41)	249	—	—	—	
Total changes in ownership interests in subsidiaries	—	(41)	249	—	—	—	
Total transactions with owners	—	5,523	23,010	4,995	—	(28,599)	
As of December 31, 2019	205,924	224,379	413,603	(92,305)	(15,892)	9,669	
	Other components of equity						
	Cash Flow Hedges	Remeasurement of Insurance Business Policy Reserves based on Current Market Interest Rates	Remeasurement of Retirement Benefit Plans	Total Other Components of Equity	Total equity attributable to owners of the Company	Non-controlling Interests	Total Equity
As of January 1, 2019	(511)	(4,260)	(47)	22,425	774,473	1,734	776,207
Cumulative impact from change in accounting policy	—	—	—	—	(2,087)	—	(2,087)
Adjusted balance reflecting change in accounting policy	(511)	(4,260)	(47)	22,425	772,386	1,734	774,120
Comprehensive income							
Net loss	—	—	—	—	(31,888)	(1,180)	(33,068)
Other comprehensive income (loss) net of tax	(708)	(3,299)	(881)	(9,755)	(9,755)	5	(9,750)
Total comprehensive income (loss)	(708)	(3,299)	(881)	(9,755)	(41,643)	(1,175)	(42,818)
Transactions with owners							
Contributions by and distributions to owners							
Cash dividends paid	—	—	—	—	(6,084)	—	(6,084)
Reclassified from other components of equity to retained earnings	—	—	—	(28,599)	—	—	—
Disposal of treasury stock with the exercise of share options	—	—	—	—	68	—	68
Issuance of share acquisition rights	—	—	—	—	10,584	—	10,584
Forfeiture of share acquisition rights	—	—	—	—	—	—	—
Others	—	—	—	—	153	—	153
Total contributions by and distributions to owners	—	—	—	(28,599)	4,721	—	4,721
Changes in ownership interests in subsidiaries							
Issuance of stock	—	—	—	—	—	1,226	1,226
Acquisition or disposal of non-controlling interests	—	—	—	—	—	—	—
Others	—	—	—	—	208	(257)	(49)
Total changes in ownership interests in subsidiaries	—	—	—	—	208	969	1,177
Total transactions with owners	—	—	—	(28,599)	4,929	969	5,898
As of December 31, 2019	(1,219)	(7,559)	(928)	(15,929)	735,672	1,528	737,200

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

(Millions of Yen)

	Common Stock	Capital Surplus	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	—	—	(114,199)	—	—	—					
Other comprehensive income (loss) net of tax	—	—	—	—	(6,806)	(13,221)					
Total comprehensive income (loss)	—	—	(114,199)	—	(6,806)	(13,221)					
Transactions with owners											
Contributions by and distributions to owners											
Cash dividends paid	—	—	(6,103)	—	—	—					
Reclassified from other components of equity to retained earnings	—	—	(2,322)	—	—	2,322					
Disposal of treasury stock with the exercise of share options	—	(7,364)	—	7,364	—	—					
Issuance of share acquisition rights	—	11,014	—	—	—	—					
Forfeiture of share acquisition rights	—	(187)	187	—	—	—					
Others	—	—	(717)	—	—	—					
Total contributions by and distributions to owners	—	3,463	(8,955)	7,364	—	2,322					
Changes in ownership interests in subsidiaries											
Issuance of stock	—	—	—	—	—	—					
Acquisition or disposal of non-controlling interests	—	—	—	—	—	—					
Others	—	2	—	—	—	—					
Total changes in ownership interests in subsidiaries	—	2	—	—	—	—					
Total transactions with owners	—	3,465	(8,955)	7,364	—	2,322					
As of December 31, 2020	205,924	227,844	290,449	(84,941)	(22,698)	(1,230)					
					Other components of equity						
					Cash Flow Hedges	Remeasurement of Insurance Business Policy Reserves based on Current Market Interest Rates	Remeasurement of Retirement Benefit Plans	Total Other Components of Equity	Total Equity attributable to Owners of the Company	Non-controlling Interests	Total Equity
As of January 1, 2020					(1,219)	(7,559)	(928)	(15,929)	735,672	1,528	737,200
Comprehensive income											
Net loss					—	—	—	—	(114,199)	(1,639)	(115,838)
Other comprehensive income (loss) net of tax					2,158	1,933	(995)	(16,931)	(16,931)	368	(16,563)
Total comprehensive income (loss)					2,158	1,933	(995)	(16,931)	(131,130)	(1,271)	(132,401)
Transactions with owners											
Contributions by and distributions to owners											
Cash dividends paid					—	—	—	—	(6,103)	—	(6,103)
Reclassification from other components of equity to retained earnings					—	—	—	2,322	—	—	—
Disposal of treasury stock with the exercise of share options					—	—	—	—	0	—	0
Issuance of share acquisition rights					—	—	—	—	11,014	—	11,014
Forfeiture of share acquisition rights					—	—	—	—	—	—	—
Others					—	—	—	—	(717)	—	(717)
Total contributions by and distributions to owners					—	—	—	2,322	4,194	—	4,194
Changes in ownership interests in subsidiaries											
Issuance of stock					—	—	—	—	—	309	309
Acquisition or disposal of non-controlling interests					—	—	—	—	—	18,840	18,840
Others					—	—	—	—	2	870	872
Total changes in ownership interests in subsidiaries					—	—	—	—	2	20,019	20,021
Total transactions with owners					—	—	—	2,322	4,196	20,019	24,215
As of December 31, 2020					939	(5,626)	(1,923)	(30,538)	608,738	20,276	629,014

(4) Consolidated Statements of Cash Flows

(Millions of Yen)

	Fiscal Year ended December 31, 2019 (January 1 to December 31, 2019)	Fiscal Year ended December 31, 2020 (January 1 to December 31, 2020)
Cash flows from operating activities		
Loss before income tax	(44,558)	(151,016)
Depreciation and amortization	106,370	151,506
Impairment loss	4,641	7,591
Other loss (income)	55,297	(19,413)
Decrease (Increase) in operating receivables	(47,356)	(33,425)
Decrease (Increase) in loans for credit card business	(364,138)	(204,590)
Increase (Decrease) in deposits for banking business	805,850	1,555,229
Net decrease (increase) in call loans for banking business	(15,000)	15,000
Decrease (Increase) in loans for banking business	(158,068)	(386,520)
Increase (Decrease) in operating payables	73,658	20,954
Decrease (Increase) in financial assets for securities business	(186,289)	(697,382)
Increase (Decrease) in financial liabilities for securities business	107,535	726,799
Others	12,290	81,588
Income tax paid	(31,912)	(24,930)
Net cash flows from operating activities	318,320	1,041,391
Cash flows from investing activities		
Increase in time deposits	(9,708)	(9,095)
Decrease in time deposits	10,929	10,008
Purchase of property, plant and equipment	(108,065)	(279,278)
Purchase of intangible assets	(99,173)	(105,796)
Acquisition of subsidiaries	(12,332)	(22,062)
Proceeds from sales of subsidiaries	—	62,599
Acquisition of investments in associates and joint ventures	(9,273)	(15,119)
Purchase of investment securities for banking business	(383,885)	(467,460)
Proceeds from sales and redemption of investment securities for banking business	316,698	473,499
Purchase of investment securities for insurance business	(150,338)	(75,676)
Proceeds from sales and redemption of investment securities for insurance business	161,501	60,327
Purchase of investment securities	(26,057)	(7,436)
Proceeds from sales and redemption of investment securities	53,740	38,036
Proceeds from sales and redemption of other financial assets	831	14,081
Other payments	(42,077)	(15,314)
Other proceeds	10,919	35,339
Net cash flows from investing activities	(286,290)	(303,347)
Cash flows from financing activities		
Net increase (decrease) in short-term debts	107,701	411,279
Net increase (decrease) in commercial papers	18,500	135,500
Proceeds from long-term debts	490,805	424,590
Repayment of long-term debts	(324,166)	(324,141)
Proceeds from issuance of bonds	215,516	148,900
Redemption of bonds	(20,000)	(40,000)
Proceeds from sale of shares by forward contract	—	75,348
Repayment of leases	(17,577)	(34,476)
Cash dividends paid	(6,113)	(6,103)
Others	(6,326)	17,211
Net cash flows from financing activities	458,340	808,108

(4) Consolidated Statements of Cash Flows (Continued)

(Millions of Yen)

Effect of change in exchange rates on cash and cash equivalents	(2,055)	(3,403)
Net increase (decrease) in cash and cash equivalents	488,315	1,542,749
Cash and cash equivalents at the beginning of the period	990,242	1,478,557
Cash and cash equivalents at the end of the period	1,478,557	3,021,306

(5) Assumptions for Going Concern

No items to report

(6) Notes to the Consolidated Financial Statements

(Basis of Presentation)

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

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

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

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

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

(Significant Accounting Policies)

Significant accounting policies adopted by the Rakuten Group in these consolidated financial statements for the fiscal year ended December 31, 2020 basically remain the same as those adopted in the consolidated financial statements for the previous fiscal year.

Change of the Presentation

(Consolidated Statements of Cash Flows)

For the fiscal year ended December 31, 2020, "proceeds from sales and redemption of other financial assets," which had been included in "other proceeds" in "net cash flows from investing activities" in the previous fiscal year, are independently disclosed due to the increase of its materiality. Consolidated statements of cash flows for the previous fiscal year have been restated accordingly to reflect this change.

As a result, ¥11,750 million presented as "other proceeds" in "net cash flows from investing activities" in the previous fiscal year is restated as ¥831 million as "proceeds from sales and redemption of other financial assets" and ¥10,919 million as "other proceeds".

(Significant Accounting Estimates and Judgments)

Preparation of the consolidated financial statements under IFRS for the fiscal year ended December 31, 2020 involves accounting estimates in respect of certain significant matters. In the process of adopting accounting policies, management of the Rakuten Group is required to make its own judgments. Resulting accounting estimates by their nature may be different from the actual outcome.

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

Estimates and judgments that have significant impact on the amounts in the consolidated financial statements for the fiscal year ended December 31, 2020 remain the same as those for the previous fiscal year.

We face uncertainties stemming from deteriorating economic conditions caused by the COVID-19 pandemic, including sluggish consumer spending and increases in the unemployment rate and corporate bankruptcies. But their impact on the Company's management is limited, even in the actual business results since the first quarter ended March 31, 2020, when signs of worsening economic activity began to appear following the spread of the 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 Company 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 consolidated financial statements at this time, except for the accounting estimate for the allowance for doubtful accounts related to the credit card business loans as mentioned below.

Although there has been no significant deterioration in collection of loans provided as part of credit card business as of December 31, 2020, the accounting estimate of allowance for doubtful accounts has been adjusted as necessary to prepare for deteriorating credit risk and possible incurrence of losses in light of uncertainties based on the future spread of COVID-19.

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

(Segment Information)

(1) General Information

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

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

The "Internet Services" segment comprises businesses running various e-commerce sites including internet shopping mall "Rakuten Ichiba", online cash-back sites, travel booking sites, and portal sites, along with sales of advertising, etc. on these sites, and management of professional sports teams, etc.

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

The "Mobile" segment comprises business operations engaged in communication and messaging services and operations including the running digital content sites.

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

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

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

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

Fiscal Year ended December 31, 2019 (January 1 to December 31, 2019)

(Millions of Yen)

	Internet Services	FinTech	Mobile	Total
Segment revenue	743,266	486,372	169,054	1,398,692
Segment profit (loss)	107,211	69,306	(76,524)	99,993
Other items				
Depreciation and amortization	19,352	38,018	21,003	78,373

Fiscal Year ended December 31, 2020 (January 1 to December 31, 2020)

(Millions of Yen)

	Internet Services	FinTech	Mobile	Total
Segment revenue	820,115	576,195	227,142	1,623,452
Segment profit (loss)	40,114	81,291	(226,976)	(105,571)
Other items				
Depreciation and amortization	31,546	46,625	52,620	130,791

Note: To enhance collaboration and synergy between digital content services and mobile services, some businesses and subsidiaries have been transferred to other segments from the fiscal year ended December 31, 2020. The main change was made to businesses that operate digital content sites, including Rakuten Kobo Inc. in the Internet Services segment, which were transferred to the Mobile segment. Segment information for the previous fiscal year has been restated accordingly.

Reconciliation from Segment Revenue to Consolidated Revenue

(Millions of Yen)

	Fiscal Year ended December 31, 2019 (January 1 to December 31, 2019)	Fiscal Year ended December 31, 2020 (January 1 to December 31, 2020)
Segment revenue	1,398,692	1,623,452
Intercompany transactions, etc.	(134,760)	(167,914)
Consolidated revenue	1,263,932	1,455,538

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

(Millions of Yen)

	Fiscal Year ended December 31, 2019 (January 1 to December 31, 2019)	Fiscal Year ended December 31, 2020 (January 1 to December 31, 2020)
Segment profit (loss)	99,993	(105,571)
Intercompany transactions, etc.	(4,864)	2,904
Non-GAAP operating income (loss)	95,129	(102,667)
Amortization of intangible assets (PPA)	(8,764)	(9,502)
Share based compensation expenses	(10,137)	(10,612)
One-off items (Note)	(3,483)	28,932
Operating income (loss)	72,745	(93,849)
Financial income and expenses	(5,385)	(19,457)
Share of losses of investments in associates and joint ventures	(111,918)	(37,710)
Loss before income tax	(44,558)	(151,016)

Note: For the previous fiscal year, one-off items including an impairment loss on fixed assets in the U.S. etc., of ¥3,483 million were recorded. One-off items listed for the fiscal year ended December 31, 2020 include a gain on sales of all shares in OverDrive Holdings, Inc. of ¥40,926 million, losses on investments in the filmmaking business of ¥3,277 million, and impairment of fixed assets due to the closure of a U.S. based business.

(3) Products and Services Information

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

(Millions of Yen)

	Rakuten Ichiba and Rakuten Travel	Rakuten Card	Rakuten Bank	Rakuten Mobile	Others	Revenue from external customers
Fiscal Year ended December 31, 2019	270,674	168,085	72,045	80,462	672,666	1,263,932
Fiscal Year ended December 31, 2020	310,940	183,480	76,855	125,306	758,957	1,455,538

(4) Geographic Information

For the Fiscal Year ended December 31, 2019

(Millions of Yen)

	Japan	Americas	Europe	Asia	Others	Total
Revenue from external customers	1,006,394	197,798	28,509	30,447	784	1,263,932
Property, plant and equipment and intangible assets	638,234	233,304	100,718	13,434	184	985,874

For the Fiscal Year ended December 31, 2020

(Millions of Yen)

	Japan	Americas	Europe	Asia	Others	Total
Revenue from external customers	1,199,807	178,807	33,877	42,284	763	1,455,538
Property, plant and equipment and intangible assets	1,006,602	180,891	96,733	36,500	2,973	1,323,699

(5) Major Customers

For the Fiscal Year ended December 31, 2019

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

For the Fiscal Year ended December 31, 2020

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

(Breakdown of Operating Expenses)

(Millions of Yen)

	Fiscal Year ended December 31, 2019 (January 1 to December 31, 2019)	Fiscal Year ended December 31, 2020 (January 1 to December 31, 2020)
Advertising and promotion expenditures	230,842	264,063
Employee benefits expenses	206,144	236,092
Depreciation and amortization	106,370	151,506
Communication and maintenance expenses	30,667	40,497
Consignment and subcontract expenses	76,367	91,069
Allowance for doubtful accounts charged to expenses	44,555	45,967
Cost of sales of merchandise and service revenue	383,892	530,977
Interest expense for finance business	7,831	9,477
Commission expense for finance business	12,564	14,974
Insurance claims and other payments, and provision of policy reserves and others for insurance business	30,431	54,471
Others	137,239	140,537
Total	1,266,902	1,579,630

(Other Income)

(Millions of Yen)

	Fiscal Year ended December 31, 2019 (January 1 to December 31, 2019)	Fiscal Year ended December 31, 2020 (January 1 to December 31, 2020)
Foreign exchange gains	7,277	—
Gains on sales of subsidiaries (Note 1)	—	40,926
Valuation gains on investment securities (Note 2)	75,120	7,813
Others	4,504	5,744
Total	86,901	54,483

Note 1: A gain on sale of shares in OverDrive Holdings, Inc. of ¥40,926 million was recorded during the fiscal year ended December 31, 2020.

Note 2: During the fiscal year ended December 31, 2019, the Group recorded ¥ 67,376 million in valuation gains on securities related to investments in the ride-sharing business, and ¥7,744 million gains in the health care business.

(Other Expenses)

(Millions of Yen)

	Fiscal Year ended December 31, 2019 (January 1 to December 31, 2019)	Fiscal Year ended December 31, 2020 (January 1 to December 31, 2020)
Foreign exchange losses	—	1,847
Loss on disposal of property, plant and equipment and intangible assets	2,504	2,606
Impairment loss	4,641	7,591
Others (Note)	4,041	12,196
Total	11,186	24,240

Note: Losses on investments in the filmmaking business of ¥3,277 million were recorded during the fiscal year ended December 31, 2020.

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

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

(Earnings per Share)

Basic earnings per share are calculated by dividing the net income attributable to equity owners by the weighted average number of common stock outstanding during the year. The weighted average number of common stock outstanding during the year does not include treasury stock.

Diluted earnings per share are calculated on the assumption of full conversion of potentially dilutive common stock, adjusted for the weighted average number of common stock outstanding.

The Company has potential common stock related to stock options. The number of shares that may be acquired through these stock options is calculated at fair value (annual average stock price of the Company) based on the value of the stock acquisition rights that would be granted to unexercised stock options.

Per share information and the weighted average number of shares used in the calculation of earnings per share are as follows:

	Fiscal Year ended December 31, 2019			Fiscal Year ended December 31, 2020		
	Basic	Adjustments	Diluted	Basic	Adjustments	Diluted
Net loss attributable to owners of the Company (Millions of Yen)	(31,888)	(0)	(31,888)	(114,199)	—	(114,199)
Weighted average number of shares (Thousands of Shares)	1,354,167	—	1,354,167	1,359,478	—	1,359,478
Loss per share (Yen)	(23.55)	(0)	(23.55)	(84.00)	—	(84.00)

Note: For the fiscal year ended December 31, 2019, share acquisition rights corresponding to 23,335 thousand shares have been excluded from the calculation of diluted loss per share, as they have reverse dilutive effects.

For the fiscal year ended December 31, 2020, share acquisition rights corresponding to 29,852 thousand shares have been excluded from the calculation of diluted loss per share, as they have reverse dilutive effects

(Notes on Significant Subsequent Events)

No items to report