

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 six months ended June 30, 2021

Rakuten Group, Inc.
August 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 six months ended June 30, 2021 (January 1 – June 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	%
Six months ended June 30, 2021	793,671	16.9	(100,889)	—	(81,764)	—	(66,304)	—
Six months ended June 30, 2020	678,768	15.7	(20,721)	—	(40,352)	—	(27,824)	—

	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
Six months ended June 30, 2021	(65,438)	—	(22,106)	—	(44.40)	(44.40)
Six months ended June 30, 2020	(27,485)	—	(32,578)	—	(20.24)	(20.24)

(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 June 30, 2021	14,497,695	1,167,099	1,144,584	7.9
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: No

(3) Number of Shares Issued (Common Stock)

1. Total number of shares issued at the end of the period (including treasury stocks)
 - 1,578,303,400 shares (As of June 30, 2021)
 - 1,434,573,900 shares (As of December 31, 2020)
2. Number of treasury stocks at the end of the period
 - 87 shares (As of June 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)
 - 1,473,733,763 shares (January 1 – June 30, 2021)
 - 1,357,722,688 shares (January 1 – June 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 six months ended June 30, 2021 (Non-GAAP basis)

The world economy during the six months ended June 30, 2021 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 stemming from the 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 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, 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 who began using “Rakuten Ichiba” and other services against the backdrop of stay-at-home consumption amid the COVID-19 pandemic. 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 steady growth year-on-year in transaction volume in domestic e-commerce services by implementing safe travel initiatives. 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 ¥793,671 million, up 16.9% year-on-year for the six months ended June 30, 2021, but 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 ¥91,124 million, compared to Non-GAAP operating loss of ¥50,723 million in the six months ended June 30, 2020.

(Non-GAAP)

(Millions of Yen)

	Six months ended June 30, 2020	Six months ended June 30, 2021	Amount Change YoY	% Change YoY
Revenue	678,768	793,671	114,903	16.9%
Non-GAAP operating loss	(50,723)	(91,124)	(40,401)	—%

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

For the six months ended June 30, 2021, amortization of intangible assets of ¥4,334 million and share based compensation expenses of ¥5,431 million were excluded from Non-GAAP operating income. In addition, a gain on sales of all shares in OverDrive Holdings, Inc. of ¥40,926 million was recorded in one-off items for the six months ended June 30, 2020.

(Millions of Yen)

	Six months ended June 30, 2020	Six months ended June 30, 2021	Amount Change YoY
Non-GAAP operating loss	(50,723)	(91,124)	(40,401)
Amortization of intangible assets (PPA)	(5,302)	(4,334)	968
Share based compensation expenses	(5,622)	(5,431)	191
One-off items	40,926	—	(40,926)
IFRS operating loss	(20,721)	(100,889)	(80,168)

iii) Business Results for the six months ended June 30, 2021 (IFRS basis)

For the six months ended June 30, 2021, the Rakuten Group recorded revenue of ¥793,671 million, up 16.9% year-on-year, IFRS operating loss of ¥100,889 million, compared with IFRS operating loss of ¥20,721 million in the six months ended June 30, 2020, and net loss attributable to owners of the Company of ¥65,438 million, compared with net loss of ¥27,485 million in the six months ended June 30, 2020.

(IFRS)

(Millions of Yen)

	Six months ended June 30, 2020	Six months ended June 30, 2021	Amount Change YoY	% Change YoY
Revenue	678,768	793,671	114,903	16.9%
IFRS operating loss	(20,721)	(100,889)	(80,168)	—%
Net loss attributable to owners of the Company	(27,485)	(65,438)	(37,953)	—%

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 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 six months ended June 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.

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 effects emerged from the COVID-19 pandemic which boosted 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 overseas Internet services, the Rakuten Group has continued to work on efforts to raise the profile of the brand and expand business. In addition, the Rakuten Group recorded ¥28,200 million in valuation gains on securities related to investments in FinTech-related companies in the investment business.

As a result, revenue for the Internet Services segment rose to ¥462,811 million, a 17.8% year-on-year increase, while segment profit stood at ¥58,906 million, compared with segment loss of ¥2,162 million in the six months ended June 30, 2020.

(Millions of Yen)

	Six months ended June 30, 2020	Six months ended June 30, 2021	Amount Change YoY	% Change YoY
Segment revenue	392,806	462,811	70,005	17.8%
Segment profit (loss)	(2,162)	58,906	61,068	—%

FinTech

In credit card related services, Rakuten Card's membership base continued to expand, and the number of cards issued reached 23 million in June 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 10 million in January 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. 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 ¥304,725 million in revenue, an 8.2% year-on-year increase, while segment profit stood at ¥47,074 million, a 14.6% year-on-year increase.

(Note) As of January 19, 2021, based on research by Rakuten Bank.

(Millions of Yen)

	Six months ended June 30, 2020	Six months ended June 30, 2021	Amount Change YoY	% Change YoY
Segment revenue	281,761	304,725	22,964	8.2%
Segment profit	41,082	47,074	5,992	14.6%

Mobile

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 ¥107,267 million, a 29.4% year-on-year increase, but segment losses reached ¥197,282 million, compared to a loss of ¥89,231 million in the six months ended June 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)

	Six months ended June 30, 2020	Six months ended June 30, 2021	Amount Change YoY	% Change YoY
Segment revenue	82,903	107,267	24,364	29.4%
Segment loss	(89,231)	(197,282)	(108,051)	—%

(2) Analysis Concerning Financial Position

i) Assets, Liabilities, and Equity

Assets

Total assets as of June 30, 2021 amounted to ¥14,497,695 million, an increase of ¥1,973,257 million from ¥12,524,438 million at the end of the previous fiscal year. The primary factors were an increase of ¥677,332 million in cash and cash equivalents, an increase of ¥674,341 million in loans for banking business, and an increase of ¥244,136 million in financial assets for securities business.

Liabilities

Total liabilities as of June 30, 2021 amounted to ¥13,330,596 million, an increase of ¥1,435,172 million from ¥11,895,424 million at the end of the previous fiscal year. The primary factors include an increase of ¥963,547 million in deposits for banking business, an increase of ¥314,806 million in financial liabilities for securities business, and an increase of ¥174,895 million in bonds and borrowings.

Equity

Total equity as of June 30, 2021 was ¥1,167,099 million, an increase of ¥538,085 million from ¥629,014 million at the end of the previous fiscal year. The primary factors include a decrease of ¥71,338 million in retained earnings due mainly to the recording of ¥65,438 million in net loss attributable to owners of the Company during the six months ended June 30, 2021, offset by increases of ¥81,988 million in common stock and ¥81,058 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 June 30, 2021 stood at ¥3,698,638 million, an increase of ¥677,332 million from the end of the previous fiscal year. Cash flow conditions and their main factors for the six months ended June 30, 2021 are as follows.

Cash Flows from Operating Activities

Net cash flows from operating activities for the six months ended June 30, 2021 resulted in a cash inflow of ¥242,530 million (compared with a cash inflow of ¥572,706 million for the same period of the previous fiscal year). Main factors included a cash outflow of ¥674,329 million due to an increase in loans for banking business and a cash outflow of ¥243,794 million due to an increase in financial assets for securities business, and a cash outflow of ¥97,446 million due to other loss (income), offset by a cash inflow of ¥963,093 million due to an increase in deposits for banking business and a cash inflow of ¥314,421 million due to an increase in financial liabilities for securities business.

Cash Flows from Investing Activities

Cash flows from investing activities for the six months ended June 30, 2021 resulted in a cash outflow of ¥279,282 million (compared with a cash outflow of ¥93,843 million for the same period of the previous fiscal year). Main factors included a net cash outflow of ¥82,802 million due to purchases and sales, etc. of investment securities for banking business (a cash outflow of ¥294,988 million due to purchases of investment securities and a cash inflow of ¥212,186 million due to proceeds from sales and redemption of investment securities), a cash outflow of ¥151,832 million due to purchases of property, plant and equipment, and a cash outflow of ¥51,717 million due to purchases of intangible assets.

Cash Flows from Financing Activities

Cash flows from financing activities for the six months ended June 30, 2021 resulted in a cash inflow of ¥702,222 million (compared with a cash inflow of ¥336,811 million for the same period of the previous fiscal year). Main factors included a cash outflow of ¥94,322 million due to repayments of long-term borrowings, offset by a cash inflow of ¥315,708 million due to proceeds from issuance of other equity instruments, a cash inflow of ¥254,274 million due to proceeds from long-term borrowings, and a cash inflow of ¥241,394 million due to proceeds from 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. However, there is a possibility that some businesses may experience a decrease in revenue due to the impact of the voluntary restraint on outings in response to COVID-19.

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

Internet Services

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. Furthermore, as announced on July 1, 2021, 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, LLC. (currently JP Rakuten Logistics, Inc.), will become an associate accounted for using equity method of the Company from the third quarter ending September 30, 2021 onwards.

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

(Millions of Yen)

	As of December 31, 2020	As of June 30, 2021
Assets		
Cash and cash equivalents	3,021,306	3,698,638
Accounts receivable – trade	243,886	212,599
Financial assets for securities business	2,673,229	2,917,365
Loans for credit card business	2,033,013	1,994,195
Investment securities for banking business	266,227	349,152
Loans for banking business	1,436,513	2,110,854
Investment securities for insurance business	283,969	301,584
Derivative assets	32,644	34,650
Investment securities	275,236	344,223
Other financial assets	492,686	471,818
Investments in associates and joint ventures	58,072	97,362
Property, plant and equipment	684,110	855,131
Intangible assets	639,589	711,756
Deferred tax assets	126,203	149,751
Other assets	257,755	248,617
Total assets	12,524,438	14,497,695
Liabilities		
Accounts payable – trade	337,427	268,408
Deposits for banking business	4,716,162	5,679,709
Financial liabilities for securities business	2,587,227	2,902,033
Derivative liabilities	78,318	99,507
Bonds and borrowings	2,487,457	2,662,352
Other financial liabilities	1,131,505	1,170,772
Income tax payable	8,700	7,623
Provisions	162,579	168,100
Insurance business policy reserves	285,336	263,476
Employee retirement benefit liabilities	19,272	23,608
Deferred tax liabilities	1,920	2,372
Other liabilities	79,521	82,636
Total liabilities	11,895,424	13,330,596
Equity		
Equity attributable to owners of the Company		
Common stock	205,924	287,912
Capital surplus	227,844	308,902
Other equity instruments	—	317,316
Retained earnings	290,449	219,111
Treasury stock	(84,941)	(0)
Other components of equity	(30,538)	11,343
Total equity attributable to owners of the Company	608,738	1,144,584
Non-controlling interests	20,276	22,515
Total equity	629,014	1,167,099
Total liabilities and equity	12,524,438	14,497,695

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

Consolidated Statements of Income (Summary)
(For the six months ended June 30, 2020 and 2021)

(Millions of Yen)

	Six months ended June 30, 2020 (January 1 to June 30, 2020)	Six months ended June 30, 2021 (January 1 to June 30, 2021)
Continuing Operations		
Revenue	678,768	793,671
Operating expenses	730,810	924,409
Other income	44,911	36,386
Other expenses	13,590	6,537
Operating loss	(20,721)	(100,889)
Financial income	516	53,005
Financial expenses	7,426	58,690
Share of income (losses) of investments in associates and joint ventures	(12,721)	24,810
Loss before income tax	(40,352)	(81,764)
Income tax expense	(12,528)	(15,460)
Net loss	(27,824)	(66,304)
Net loss attributable to:		
Owners of the Company	(27,485)	(65,438)
Non-controlling interests	(339)	(866)
Net loss	(27,824)	(66,304)
(Yen)		
Losses per share attributable to owners of the Company		
Basic	(20.24)	(44.40)
Diluted	(20.24)	(44.40)

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

(Millions of Yen)

	Three months ended June 30, 2020 (April 1 to June 30, 2020)	Three months ended June 30, 2021 (April 1 to June 30, 2021)
Continuing Operations		
Revenue	347,325	402,158
Operating expenses	379,695	466,330
Other income	43,887	3,078
Other expenses	8,184	2,455
Operating income (loss)	3,333	(63,549)
Financial income	250	9,726
Financial expenses	2,982	17,292
Share of income (losses) of investments in associates and joint ventures	(5,103)	7,226
Loss before income tax	(4,502)	(63,889)
Income tax expense	(12,078)	(23,167)
Net income (loss)	7,576	(40,722)
Net income (loss) attributable to:		
Owners of the Company	7,834	(40,295)
Non-controlling interests	(258)	(427)
Net income (loss)	7,576	(40,722)
(Yen)		
Earnings (Losses) per share attributable to owners of the Company		
Basic	5.77	(25.55)
Diluted	5.66	(25.55)

Consolidated Statements of Comprehensive Income (Summary)

(For the six months ended June 30, 2020 and 2021)

(Millions of Yen)

	Six months ended June 30, 2020 (January 1 to June 30, 2020)	Six months ended June 30, 2021 (January 1 to June 30, 2021)
Net loss	(27,824)	(66,304)
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	(15,536)	(899)
Income tax effect of gains and losses on equity instruments measured at fair value through other comprehensive income	4,299	(411)
Remeasurement of insurance business policy reserves based on current market interest rates	2,165	367
Income tax effect of remeasurement of insurance business policy reserves based on current market interest rates	(606)	(103)
Remeasurement of defined benefit plans	4	(1)
Income tax effect of remeasurement of defined benefit plans	4	0
Other comprehensive income of investments in associates and joint ventures	(53)	0
Total items that will not be reclassified to net income	(9,723)	(1,047)
Items that may be reclassified to net income		
Foreign currency translation adjustments	(1,785)	42,883
Reclassification of foreign currency translation adjustments due to disposal of foreign operating businesses	5,327	—
Corporate income tax on foreign currency translation adjustments	(1,166)	—
Gains and losses on debt instruments measured at fair value through other comprehensive income	1,136	(600)
Allowances for doubtful debts on debt instruments measured at fair value through other comprehensive income	30	(7)
Losses on debt instruments measured at fair value through other comprehensive income reclassified from other comprehensive income to net income	(95)	(98)
Income tax effect of gains or losses on debt instruments measured at fair value through other comprehensive income	(339)	189
Gains on cash flow hedges recognized in other comprehensive income	3,163	4,568
Income tax effect of gains or losses on cash flow hedges recognized in other comprehensive income	(968)	(1,374)
Gains (Losses) on cash flow hedges reclassified from other comprehensive income to net income	255	(5,237)
Income tax effect of gains or losses on cash flow hedges reclassified from other comprehensive income to net income	(79)	1,602
Other comprehensive income of investments in associates and joint ventures	(510)	3,319
Total items that may be reclassified to net income	4,969	45,245
Other comprehensive income, net of tax	(4,754)	44,198
Comprehensive income	(32,578)	(22,106)

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

(Millions of Yen)

	Six months ended June 30, 2020 (January 1 to June 30, 2020)	Six months ended June 30, 2021 (January 1 to June 30, 2021)
Comprehensive income attributable to:		
Owners of the Company	(32,588)	(22,683)
Non-controlling interests	10	577
Comprehensive income	<u>(32,578)</u>	<u>(22,106)</u>

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

(Millions of Yen)

	Three months ended June 30, 2020 (April 1 to June 30, 2020)	Three months ended June 30, 2021 (April 1 to June 30, 2021)
Net income (loss)	7,576	(40,722)
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	1,487	(1,208)
Income tax effect of gains and losses on equity instruments measured at fair value through other comprehensive income	(478)	892
Remeasurement of insurance business policy reserves based on current market interest rates	1,991	1
Income tax effect of remeasurement of insurance business policy reserves based on current market interest rates	(557)	100
Remeasurement of defined benefit plans	3	(0)
Income tax effect of remeasurement of defined benefit plans	(0)	(1)
Other comprehensive income of investments in associates and joint ventures	(29)	2
Total items that will not be reclassified to net income	2,417	(214)
Items that may be reclassified to net income		
Foreign currency translation adjustments	4,000	3,551
Reclassification of foreign currency translation adjustments due to disposal of foreign operating businesses	5,544	—
Corporate income tax on foreign currency translation adjustments	(1,219)	—
Gains and losses on debt instruments measured at fair value through other comprehensive income	1,279	946
Allowances for doubtful debts on debt instruments measured at fair value through other comprehensive income	(4)	(9)
Losses on debt instruments measured at fair value through other comprehensive income reclassified from other comprehensive income to net income	(26)	(55)
Income tax effect of gains or losses on debt instruments measured at fair value through other comprehensive income	(391)	(264)
Gains on cash flow hedges recognized in other comprehensive income	(112)	(448)
Income tax effect of gains or losses on cash flow hedges recognized in other comprehensive income	38	95
Gains on cash flow hedges reclassified from other comprehensive income to net income	421	128
Income tax effect of gains or losses on cash flow hedges reclassified from other comprehensive income to net income	(218)	101
Other comprehensive income of investments in associates and joint ventures	(1,134)	431
Total items that may be reclassified to net income	8,178	4,476
Other comprehensive income, net of tax	10,595	4,262
Comprehensive income	18,171	(36,460)

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

(Millions of Yen)

	Three months ended June 30, 2020 (April 1 to June 30, 2020)	Three months ended June 30, 2021 (April 1 to June 30, 2021)
Comprehensive income attributable to:		
Owners of the Company	18,072	(36,415)
Non-controlling interests	99	(45)
Comprehensive income	18,171	(36,460)

(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	—	—	—	(27,485)	—	—	—
Other comprehensive income, net of tax	—	—	—	—	—	1,507	(10,547)
Total comprehensive income	—	—	—	(27,485)	—	1,507	(10,547)
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	—	—	—	(1,302)	—	—	1,302
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	—	(3,692)	—	—	3,692	—	—
Issuance of share acquisition rights	—	5,789	—	—	—	—	—
Forfeiture of share acquisition rights	—	(151)	—	151	—	—	—
Others	—	—	—	(596)	—	—	—
Total contributions by and distributions to owners	—	1,946	—	(7,850)	3,692	—	1,302
Changes in ownership interests in subsidiaries							
Issuance of shares	—	—	—	—	—	—	—
Acquisition and disposal of non-controlling interests	—	—	—	—	—	—	—
Others	—	6	—	—	—	—	—
Total changes in ownership interests in subsidiaries	—	6	—	—	—	—	—
Total transactions with owners etc.	—	1,952	—	(7,850)	3,692	—	1,302
As of June 30, 2020	205,924	226,331	—	378,268	(88,613)	(14,385)	424

(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	—	—	—	—	(27,485)	(339)	(27,824)
Other comprehensive income, net of tax	2,370	1,559	8	(5,103)	(5,103)	349	(4,754)
Total comprehensive income	2,370	1,559	8	(5,103)	(32,588)	10	(32,578)
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	—	—	—	1,302	—	—	—
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	—	—	—	—	0	—	0
Issuance of share acquisition rights	—	—	—	—	5,789	—	5,789
Forfeiture of share acquisition rights	—	—	—	—	—	—	—
Others	—	—	—	—	(596)	—	(596)
Total contributions by and distributions to owners	—	—	—	1,302	(910)	—	(910)
Changes in ownership interests in subsidiaries							
Issuance of shares	—	—	—	—	—	110	110
Acquisition and disposal of non-controlling interests	—	—	—	—	—	18,742	18,742
Others	—	—	—	—	6	993	999
Total changes in ownership interests in subsidiaries	—	—	—	—	6	19,845	19,851
Total transactions with owners etc.	—	—	—	1,302	(904)	19,845	18,941
As of June 30, 2020	1,151	(6,000)	(920)	(19,730)	702,180	21,383	723,563

(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	—	—	—	(65,438)	—	—	—
Other comprehensive income, net of tax	—	—	—	—	—	44,764	(1,832)
Total comprehensive income	—	—	—	(65,438)	—	44,764	(1,832)
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	—	—	—	874	—	—	(874)
Acquisition of treasury stock	—	—	—	—	(0)	—	—
Disposal of treasury stock	—	(2,412)	—	—	84,759	—	—
Issuance of shares with the exercise of share options	1,988	(1,988)	—	—	—	—	—
Disposal of treasury stock with the exercise of share options	—	(182)	—	—	182	—	—
Issuance of share acquisition rights	—	5,850	—	—	—	—	—
Forfeiture of share acquisition rights	—	(67)	—	67	—	—	—
Others	—	810	—	(710)	—	—	—
Total contributions by and distributions to owners	81,988	81,058	317,316	(5,900)	84,941	—	(874)
Changes in ownership interests in subsidiaries							
Issuance of shares	—	—	—	—	—	—	—
Acquisition and disposal of non-controlling interests	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—
Total changes in ownership interests in subsidiaries	—	—	—	—	—	—	—
Total transactions with owners etc.	81,988	81,058	317,316	(5,900)	84,941	—	(874)
As of June 30, 2021	287,912	308,902	317,316	219,111	(0)	22,066	(3,936)

(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	—	—	—	—	(65,438)	(866)	(66,304)
Other comprehensive income, net of tax	(441)	264	0	42,755	42,755	1,443	44,198
Total comprehensive income	(441)	264	0	42,755	(22,683)	577	(22,106)
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	—	—	—	(874)	—	—	—
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	—	—	—	—	5,850	—	5,850
Forfeiture of share acquisition rights	—	—	—	—	—	—	—
Others	—	—	—	—	100	—	100
Total contributions by and distributions to owners	—	—	—	(874)	558,529	—	558,529
Changes in ownership interests in subsidiaries							
Issuance of shares	—	—	—	—	—	1,662	1,662
Acquisition and disposal of non-controlling interests	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—
Total changes in ownership interests in subsidiaries	—	—	—	—	—	1,662	1,662
Total transactions with owners etc.	—	—	—	(874)	558,529	1,662	560,191
As of June 30, 2021	498	(5,362)	(1,923)	11,343	1,144,584	22,515	1,167,099

(4) Consolidated Statements of Cash Flows (Summary)

(Millions of Yen)

	Six months ended June 30, 2020 (January 1 to June 30, 2020)	Six months ended June 30, 2021 (January 1 to June 30, 2021)
Cash flows from operating activities		
Loss before income tax	(40,352)	(81,764)
Depreciation and amortization	70,089	93,256
Other loss (income)	(5,278)	(97,446)
Decrease (Increase) in operating receivables	36,184	39,568
Decrease (Increase) in loans for credit card business	55,773	39,499
Increase (Decrease) in deposits for banking business	608,205	963,093
Net decrease (increase) in call loans for banking business	(5,000)	(3,812)
Decrease (Increase) in loans for banking business	(82,022)	(674,329)
Increase (Decrease) in operating payables	(67,902)	(74,462)
Decrease (Increase) in financial assets for securities business	(310,158)	(243,794)
Increase (Decrease) in financial liabilities for securities business	384,333	314,421
Increase and decrease in derivative assets and liabilities	5,352	40,049
Others	(64,509)	(76,655)
Income tax refund (paid)	(12,009)	4,906
Net cash flows from operating activities	572,706	242,530
Cash flows from investing activities		
Payments in time deposits	(5,523)	(6,400)
Proceeds from time deposits	7,743	5,309
Purchases of property, plant and equipment	(127,457)	(151,832)
Purchases of intangible assets	(49,553)	(51,717)
Acquisitions of subsidiaries	(6,219)	(543)
Proceeds from sales of subsidiaries	60,976	—
Acquisitions of investments in associates and joint ventures	(10,372)	(12,439)
Purchases of investment securities for banking business	(245,987)	(294,988)
Proceeds from sales and redemption of investment securities for banking business	250,901	212,186
Purchases of investment securities for insurance business	(58,296)	(5,011)
Proceeds from sales and redemption of investment securities for insurance business	36,005	10,717
Purchases of investment securities	(5,003)	(8,801)
Proceeds from sales and redemption of investment securities	23,553	29,483
Proceeds from sales and redemption of other financial assets	13,428	443
Other payments	(7,427)	(10,261)
Other proceeds	29,388	4,572
Net cash flows from investing activities	(93,843)	(279,282)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	128,930	(12,941)
Net increase (decrease) in commercial papers	163,500	30,000
Proceeds from long-term borrowings	271,019	254,274
Repayments of long-term borrowings	(187,651)	(94,322)
Redemptions of bonds	(40,000)	(10,000)
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	(15,386)	(22,443)
Cash dividends paid	(6,103)	(6,131)
Others	22,502	6,683
Net cash flows from financing activities	336,811	702,222

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

(Millions of Yen)

	Six months ended June 30, 2020 (January 1 to June 30, 2020)	Six months ended June 30, 2021 (January 1 to June 30, 2021)
Effect of change in exchange rates on cash and cash equivalents	2,136	11,862
Net increase (decrease) in cash and cash equivalents	817,810	677,332
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	2,296,367	3,698,638

(5) Assumptions for Going Concern for the six months ended June 30, 2021

No items to report

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

(Basis of Presentation)

The Rakuten Group's summary of consolidated financial statements for the six months ended June 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 six months ended June 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. since March 1, 2021, due to acquisitions of its shares.

(Significant Accounting Policies)

Significant accounting policies adopted by the Rakuten Group in this summary of consolidated financial statements for the six months ended June 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 six months ended June 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 six months ended June 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, 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 six months ended June 30, 2021 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 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 second quarter and the six months ended June 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 June 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.

(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 communication services 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.

Six months ended June 30, 2020 (January 1 to June 30, 2020)

(Millions of Yen)

	Internet Services	FinTech	Mobile	Total
Segment revenue	392,806	281,761	82,903	757,470
Segment profit (loss)	(2,162)	41,082	(89,231)	(50,311)

Six months ended June 30, 2021 (January 1 to June 30, 2021)

(Millions of Yen)

	Internet Services	FinTech	Mobile	Total
Segment revenue	462,811	304,725	107,267	874,803
Segment profit (loss)	58,906	47,074	(197,282)	(91,302)

Three months ended June 30, 2020 (April 1 to June 30, 2020)

(Millions of Yen)

	Internet Services	FinTech	Mobile	Total
Segment revenue	201,829	141,723	43,969	387,521
Segment profit (loss)	(1,309)	21,256	(53,825)	(33,878)

Three months ended June 30, 2021 (April 1 to June 30, 2021)

(Millions of Yen)

	Internet Services	FinTech	Mobile	Total
Segment revenue	237,868	153,153	51,462	442,483
Segment profit (loss)	17,347	22,524	(99,686)	(59,815)

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 second quarter and the six months ended June 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)

	Six months ended June 30, 2020 (January 1 to June 30, 2020)	Six months ended June 30, 2021 (January 1 to June 30, 2021)
Segment revenue	757,470	874,803
Intercompany transactions, etc.	(78,702)	(81,132)
Consolidated revenue	678,768	793,671

(Millions of Yen)

	Three months ended June 30, 2020 (April 1 to June 30, 2020)	Three months ended June 30, 2021 (April 1 to June 30, 2021)
Segment revenue	387,521	442,483
Intercompany transactions, etc.	(40,196)	(40,325)
Consolidated revenue	347,325	402,158

Reconciliation from Segment Loss to Loss Before Income Tax

(Millions of Yen)

	Six months ended June 30, 2020 (January 1 to June 30, 2020)	Six months ended June 30, 2021 (January 1 to June 30, 2021)
Segment loss	(50,311)	(91,302)
Intercompany transactions, etc.	(412)	178
Non-GAAP operating loss	(50,723)	(91,124)
Amortization of intangible assets	(5,302)	(4,334)
Share based compensation expenses	(5,622)	(5,431)
One-off items (Note)	40,926	—
Operating loss	(20,721)	(100,889)
Financial income and expenses	(6,910)	(5,685)
Share of income (losses) of investments in associates and joint ventures	(12,721)	24,810
Loss before income tax	(40,352)	(81,764)

Note: One-off items of ¥40,926 million recorded during the six months ended June 30, 2020 was a gain on sale of all shares in OverDrive Holdings, Inc.

(Millions of Yen)

	Three months ended June 30, 2020 (April 1 to June 30, 2020)	Three months ended June 30, 2021 (April 1 to June 30, 2021)
Segment loss	(33,878)	(59,815)
Intercompany transactions, etc.	1,291	276
Non-GAAP operating loss	(32,587)	(59,539)
Amortization of intangible assets	(2,668)	(1,744)
Share based compensation expenses	(2,338)	(2,266)
One-off items (Note)	40,926	—
Operating income (loss)	3,333	(63,549)
Financial income and expenses	(2,732)	(7,566)
Share of income (losses) of investments in associates and joint ventures	(5,103)	7,226
Loss before income tax	(4,502)	(63,889)

Note: One-off items of ¥40,926 million recorded during the three months ended June 30, 2020 was a gain on sale of all shares in OverDrive Holdings, Inc.

(Breakdown of Operating Expenses)

(Millions of Yen)

	Six months ended June 30, 2020 (January 1 to June 30, 2020)	Six months ended June 30, 2021 (January 1 to June 30, 2021)
Advertising and promotion expenditures	111,485	158,333
Employee benefits expenses	115,656	130,184
Depreciation and amortization	70,089	93,256
Communication and maintenance expenses	17,448	27,535
Consignment and subcontract expenses	46,094	50,779
Allowance for doubtful accounts charged to expenses	23,789	18,599
Cost of sales of merchandise and services rendered	241,856	322,611
Interest expense for finance business	4,385	6,103
Commission fee expense for finance business	7,136	8,553
Insurance claims and other payments, and provision of insurance business policy reserves	28,037	26,509
Others	64,835	81,947
Total	730,810	924,409

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

(Millions of Yen)

	Six months ended June 30, 2020 (January 1 to June 30, 2020)	Six months ended June 30, 2021 (January 1 to June 30, 2021)
Gains on sales of subsidiaries (Note 1)	40,926	—
Valuation gains on securities (Note 2)	—	32,693
Others	3,985	3,693
Total	44,911	36,386

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

Note 2: During the six months ended June 30, 2021, the Rakuten Group recorded ¥28,200 million in valuation gains on securities related to investments in FinTech-related companies in the investment business.

(2) Breakdown of Other Expenses

(Millions of Yen)

	Six months ended June 30, 2020 (January 1 to June 30, 2020)	Six months ended June 30, 2021 (January 1 to June 30, 2021)
Foreign exchange losses	1,638	697
Losses on disposal of property, plant and equipment and intangible assets	507	584
Valuation losses on securities	7,651	—
Impairment loss	1,279	2,377
Others	2,515	2,879
Total	13,590	6,537

(Financial Income and Financial Expenses)

(1) Breakdown of Financial Income

(Millions of Yen)

	Six months ended June 30, 2020 (January 1 to June 30, 2020)	Six months ended June 30, 2021 (January 1 to June 30, 2021)
Interest income	398	310
Gains on valuation of securities (Note)	63	52,629
Others	55	66
Total	516	53,005

Note: During the six months ended June 30, 2021, the Rakuten Group recorded ¥51,794 million in valuation gains on securities related to an investment in Lyft, Inc.

(2) Breakdown of Financial Expenses

(Millions of Yen)

	Six months ended June 30, 2020 (January 1 to June 30, 2020)	Six months ended June 30, 2021 (January 1 to June 30, 2021)
Interest expenses	6,208	8,810
Losses on valuation of derivatives (Note)	679	43,592
Foreign exchange losses	—	5,688
Others	539	600
Total	7,426	58,690

Note: During the six months ended June 30, 2021, the Rakuten Group recorded ¥40,654 million in losses on valuation of derivatives arising from the collar contract for sale of Lyft, Inc. shares.

(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 Co., Ltd., which have been accounted for using the equity method. As a result, the Rakuten Group recorded income of ¥20,663 million in share of income of investments in associates and joint ventures, mainly including a gain from the bargain purchase of SY Holdings Co., Ltd. proportional to the share held by the Rakuten Group, in the Consolidated Statements of Income (Summary) for the six months ended June 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 June 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)

(1) Significant Company Split

On April 28, 2021, the Company and Japan Post Co., Ltd. (President and CEO: Kazuhide Kinugawa, hereinafter “Japan Post”) have signed an integration contract where the Company and Japan Post agree that the Company establishes JP Rakuten Logistics, LLC. (currently, JP Rakuten Logistics, Inc.; hereinafter “JP Rakuten Logistics”) as a wholly-owned subsidiary of the Company; undergoes a simplified absorption-type company split (hereinafter the “Company Split”), under which the Company will have its rights and obligations concerning the logistics business (hereinafter the “Logistics Business”) succeeded to JP Rakuten Logistics; and then both the Company and Japan Post will contribute capital to JP Rakuten Logistics (hereinafter the “Investment”). On that day, the Company and Japan Post also signed a shareholders agreement regarding the operation of JP Rakuten Logistics, etc. The company split contract (hereinafter the “Company Split Contract”) of the Company Split was concluded on May 28, 2021, and the Company Split took effect on July 1, 2021. The payment of the Investment was made on July 1, 2021, subsequent to the effect of the Company Split came into force. As a result, JP Rakuten Logistics will become an associate accounted for using equity method from the third quarter ending September 30, 2021 onwards.

1) Purpose and background

With the aim of enhancing operational efficiency through establishing a cooperative framework mainly in the logistics field, such as a shared distribution base, common delivery system, and receiving services, the Company and Japan Post came to an agreement to co-invest in the establishment of a new company. We will strengthen cooperation between the Company and Japan Post to construct a new DX logistics platform, and encourage other e-commerce and logistics business operators to join the platform in order to contribute to building a healthy logistics environment within the operation network and realizing a sustainable society.

2) Overview of the established subsidiary

Resolution by the Board of Directors (the Company): April 28, 2021

Date of establishment of the subsidiary: May 14, 2021

Corporate name: JP Rakuten Logistics, LLC.

(The subsidiary was re-named as JP Rakuten Logistics, Inc. on July 2, 2021 by organization change after the Investment.)

Main line of Business: Logistics Business

Capital: (Before the Investment) ¥3 million; (After the Investment) ¥100 million

Ownership ratio: (Before the Investment) the Company 100%;

(After the Investment) Japan Post 50.1%, the Company 49.9%

3) Overview of the Company Split

Resolution by the Board of Directors (the Company): April 28, 2021

Date of conclusion of the Company Split Contract: May 28, 2021

Effective Date of the Company Split: July 1, 2021

Method of the Company Split: An absorption-type company split in which the Company is the splitting company and JP Rakuten Logistics is the successor company

Details of allotments related to the Company Split: In consideration of the asset status of the Logistics Business expected as of the effective date of the Company Split, no shares nor other money will be allotted through the Company Split.

Handling of subscription rights to shares and bonds accompanying the Company Split: not applicable

Changes in capital due to the Company Split: no change in the Company's capital stock

Rights and obligations succeeded by the successor: the items specified by the Company Split Contract

Prospect of fulfillment of obligations: We reasonably believe that the prospect of fulfillment of obligations on the part of the Company is not an issue in the Company Split.

4) Overview of business unit subject to split-off

Main line of business of the unit subject to split-off: Logistics business conducted by the Company

Reporting segment which the business unit subject to split-off belongs to: Internet Services segment

Operating results of the business unit subject to split-off (for the six months ended June 30, 2021):

Revenue ¥13,585 million

Items and amounts of assets and liabilities subject to split-off (as of June 30, 2021):

Assets		Liabilities	
Item	Book value (Millions of Yen)	Item	Book value (Millions of Yen)
Property, plant and equipment	78,441	Other financial liabilities	77,372
Others	3,410	Others	5,972
Total assets	81,851	Total liabilities	83,344

(2) Acquisition of Altiostar Networks, Inc. (hereinafter “Altiostar”)

At the meeting of the Board of Directors held on July 21, 2021, the Company resolved to acquire additional shares of Altiostar, an associate accounted for using equity method of the Rakuten Group, through Rakuten USA, Inc., a wholly-owned subsidiary of the Company, and make Altiostar a wholly-owned subsidiary of the Company. As a result, the Company has made a payment of 369 million U.S. dollars as consideration for the additional acquisition.

The Company expects to record gain on step acquisitions of approximately ¥59.0 billion in other income for the third quarter of the fiscal year ending December 31, 2021, during which Altiostar will become a wholly-owned subsidiary of the Company. The amount of gain on step acquisitions is currently being calculated and is not yet finalized. The Company does not disclose any detailed information on how the business combination is accounted for because the initial accounting for the business combination has not yet been completed as of the approval date of this summary of consolidated financial statements for the six months ended June 30, 2021.

1) Overview of the business combination

Name of the acquire: Altiostar Networks, Inc.

Main line of business: provision of 4G and 5G open fully virtualized RAN software solution that enables to build a cloud-native mobile network

2) Primary reason for entering into the business combination

The Company will make Altiostar a wholly-owned subsidiary for the purposes of further utilizing Altiostar’s telecommunication technology and promoting the network building that the Rakuten Group has been currently working on.

3) Date of the business combination

August 4, 2021

4) Ratio of voting rights after acquisition

100%