

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 fiscal year ended December 31, 2021

Rakuten Group, Inc.
February 14, 2022

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
 Scheduled date of Annual General Shareholders Meeting: March 30, 2022
 Scheduled date of submission of Securities Report: March 30, 2022
 Scheduled start date of dividend payment: March 14, 2022
 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, 2021 (January 1 – December 31, 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	%
Fiscal Year ended December 31, 2021	1,681,757	15.5	(194,726)	—	(212,630)	—	(135,826)	—
Fiscal Year ended December 31, 2020	1,455,538	15.2	(93,849)	—	(151,016)	—	(115,838)	—

	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, 2021	(133,828)	—	(73,041)	—	(87.62)	(87.62)
Fiscal Year ended December 31, 2020	(114,199)	—	(132,401)	—	(84.00)	(84.00)

	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, 2021	(15.7)	(1.4)	(11.6)
Fiscal Year ended December 31, 2020	(17.0)	(1.4)	(6.4)

(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, 2021	16,831,221	1,117,290	1,093,719	6.5	691.47
As of December 31, 2020	12,524,438	629,014	608,738	4.9	446.78

(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, 2021	582,707	(611,830)	1,402,265	4,410,301
Fiscal Year ended December 31, 2020	1,041,391	(303,347)	808,108	3,021,306

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	%	%
FY2020	—	0.00	—	4.50	4.50	6,131	—	0.9
FY2021	—	0.00	—	4.50	4.50	7,118	—	0.8
FY2022 (Forecast)	—	—	—	—	—		—	

Note: Dividend per share for the fiscal year ending December 31, 2022 has not been decided yet

3. Estimate of Consolidated Operating Results for fiscal year 2022 (January 1 to December 31, 2022)

For the estimate of consolidated operating results for fiscal year 2022, double-digit growth on consolidated operating results for fiscal year 2021 is estimated for fiscal year 2022 consolidated revenue, 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): No

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

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

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

Note: For details, see page 22, 3. Consolidated Financial Statements and Notes (6) Notes to the Consolidated Financial Statements (Changes in Accounting Estimates).

(3) Number of Shares Issued (Common Stock)

1. Total number of shares issued at the end of the period (including treasury stocks)
1,581,735,100 shares (As of December 31, 2021)
1,434,573,900 shares (As of December 31, 2020)
2. Number of treasury stocks at the end of the period
234 shares (As of December 31, 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)
1,527,424,886 shares (January 1 – December 31, 2021)
1,359,477,579 shares (January 1 – December 31, 2020)

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, 2022 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. Overview of Business Results, etc.

(1) Overview of Business Results for the Fiscal Year ended December 31, 2021

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, 2021 (Non-GAAP basis)

The world economy during the fiscal year ended December 31, 2021 showed signs of recovery as the severe situation of the COVID-19 pandemic gradually eases. The Japanese economy is also expected to recover mainly due to the effects of various policy measures such as COVID-19 vaccine promotion, but going forward, it will be necessary to pay attention to the risk of economic downturn due to trends in infections, supply-side restrictions, and other factors. Under the situation in which people are forced to change their lifestyles due to the COVID-19 pandemic, IT companies provide Internet services, online financial services, and information and communication services that enable people to purchase products and enjoy services while reducing contact with others, and the social role expected of IT companies is further increasing.

Under such an environment, the Rakuten Group worked to expand the Rakuten Ecosystem, which consists of more than 70 diverse services in Japan and overseas, while working to diversify business risks from the impact of infectious diseases by continuing to develop and operate businesses that bring together membership, data, and branding, along with services that proactively leverage AI.

In the Internet Services segment, factors including measures to improve customer convenience, such as the introduction of a common free shipping threshold for participating merchants on internet shopping mall “Rakuten Ichiba”, successfully led to the retention of customers against the backdrop of stay-at-home consumption amid the COVID-19 pandemic. This contributed to growth in transaction volume in domestic e-commerce services, and gross merchandise sales in domestic e-commerce services surpassed ¥5 trillion in the fiscal year ended December 31, 2021. 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, and the shopping transaction value of Rakuten Card surpassed ¥14 trillion in the fiscal year ended December 31, 2021. In the Mobile segment, in addition to efforts to improve network quality by focusing on the development of the Rakuten Group’s own base stations ahead of schedule, steady progress was made in acquiring customers even after the expiration of campaigns offering one year of free telecommunication charges.

As a result, the Rakuten Group recorded revenue of ¥1,681,757 million, up 15.5% year-on-year for the fiscal year ended December 31, 2021, but due to ongoing prior investments in the Mobile segment, such as the installment of its own base stations, it recorded a Non-GAAP operating loss of ¥224,999 million, compared to a Non-GAAP operating loss of ¥102,667 million in the previous fiscal year.

(Non-GAAP)

(Millions of Yen)

	Fiscal Year ended December 31, 2020	Fiscal Year ended December 31, 2021	Amount Change YoY	% Change YoY
Revenue	1,455,538	1,681,757	226,219	15.5%
Non-GAAP operating loss	(102,667)	(224,999)	(122,332)	—%

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

For the fiscal year ended December 31, 2021, amortization of intangible assets of ¥9,321 million and share based compensation expenses of ¥10,059 million were excluded from Non-GAAP operating income. One-off items listed for the fiscal year ended December 31, 2020 include a gain on sale 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 property, plant and equipment etc. due to the closure of certain U.S. based business. One-off items listed for the fiscal year ended December 31, 2021 include a gain on step acquisitions of ¥59,496 million as a result of making Altiostar Networks, Inc. a wholly-owned subsidiary of the Company and expenses of ¥8,789 million associated with an increase in provision for customer points as a result of revisions in the Rakuten Point Terms of Use.

(Millions of Yen)

	Fiscal Year ended December 31, 2020	Fiscal Year ended December 31, 2021	Amount Change YoY
Non-GAAP operating loss	(102,667)	(224,999)	(122,332)
Amortization of intangible assets (PPA)	(9,502)	(9,321)	181
Share based compensation expenses	(10,612)	(10,059)	553
One-off items	28,932	49,653	20,721
IFRS operating loss	(93,849)	(194,726)	(100,877)

iii) Business Results for the fiscal year ended December 31, 2021 (IFRS basis)

For the fiscal year ended December 31, 2021, the Rakuten Group recorded revenue of ¥1,681,757 million, up 15.5% year-on-year, IFRS operating loss of ¥194,726 million, compared with an IFRS operating loss of ¥93,849 million in the fiscal year ended December 31, 2020, and net loss attributable to owners of the Company of ¥133,828 million, compared with a net loss of ¥114,199 million in the fiscal year ended December 31, 2020.

(IFRS)

(Millions of Yen)

	Fiscal Year ended December 31, 2020	Fiscal Year ended December 31, 2021	Amount Change YoY	% Change YoY
Revenue	1,455,538	1,681,757	226,219	15.5%
IFRS operating loss	(93,849)	(194,726)	(100,877)	—%
Net loss attributable to owners of the Company	(114,199)	(133,828)	(19,629)	—%

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.

From the second quarter ended June 30, 2021, the Rakuten Group has reviewed its business management system with the aim of improving the profitability of the Rakuten Ecosystem in North America. Accordingly, some businesses and subsidiaries providing digital content sites in North America and those engaged in messaging services have been transferred to other segments. The main change was made to Rakuten Kobo Inc. and Viber Media S.a.r.l. etc., included in the Mobile segment, which were transferred to the Internet Services segment. In line with these changes, segment information for the fiscal year ended December 31, 2020 has been restated.

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 previous fiscal year when the Rakuten Group benefited from the effects of the COVID-19 pandemic which gave a boost to the businesses. This was because these measures successfully led to the retention of customers who began using the services against the backdrop of increased demand for online shopping following the growth in “stay-at-home consumption”. In the online travel booking service, Rakuten Travel, despite a decrease in transaction volume due to the impact of the continued temporary suspension of the “Go To Travel” program caused by the re-emergence of COVID-19, the gross merchandise sales in domestic e-commerce services exceeded ¥5 trillion in the fiscal year ended December 31, 2021. In other Internet services including overseas Internet services, continuous measures to improve cost efficiency and recovery of consumer behavior helped improve the performance of businesses that have been affected by the pandemic. In addition, the Rakuten Group recorded ¥27,827 million in valuation gains on securities related to investments in FinTech-related companies in the investment business. The Company has completed the succession of all but part of the rights and obligations in connection with its logistics business to JP Rakuten Logistics, Inc., a joint venture with Japan Post Co., Ltd., which became an associate of the Company accounted for using the equity method in the third quarter ended September 30, 2021. Accordingly, part of income (losses) of the logistics business, which was recorded in the Internet Services segment until the second quarter ended June 30, 2021, is recorded in share of income (losses) of investments in associates and joint ventures from the third quarter ended September 30, 2021.

As a result, revenue for the Internet Services segment rose to ¥1,003,382 million, a 14.7% year-on-year increase, while segment profit stood at ¥107,548 million, a 166.2% year-on-year increase.

(Millions of Yen)

	Fiscal Year ended December 31, 2020	Fiscal Year ended December 31, 2021	Amount Change YoY	% Change YoY
Segment revenue	874,806	1,003,382	128,576	14.7%
Segment profit	40,396	107,548	67,152	166.2%

FinTech

In credit card related services, the marketing of the second Rakuten Card has been successful and Rakuten Card's membership base continued to expand, and the number of cards issued surpassed 25 million in December 2021. While consumption remains constrained in lodging and dining services, shopping transaction value surpassed ¥14 trillion for the fiscal year ended December 31, 2021, with the growth in transaction volume mainly in online shopping. In banking services, new acquisitions of bank accounts continued to increase, with the number of savings accounts surpassing 12 million in January 2022, and the increase in income from service transactions, etc., contributed to the increase in revenue and profit. Similarly, in securities services as well, openings of accounts continued to accelerate, and the total number of cash management accounts exceeded 7 million in December 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 ¥619,048 million in revenue, a 7.4% year-on-year increase, while segment profit stood at ¥89,120 million, a 9.6% year-on-year increase.

(Millions of Yen)

	Fiscal Year ended December 31, 2020	Fiscal Year ended December 31, 2021	Amount Change YoY	% Change YoY
Segment revenue	576,195	619,048	42,853	7.4%
Segment profit	81,291	89,120	7,829	9.6%

Mobile

In the Mobile segment, in addition to efforts to improve network quality by focusing on the development of the Rakuten Group's own base stations ahead of schedule, steady progress was made in acquiring new customers even after the expiration of campaigns offering one year of free telecommunication charges. In addition to an increase in the number of users who have started to pay telecommunication charges along with the expiration of this campaign, growth in device sales also contributed to increased revenue. On the other hand, network-related expenses including depreciation increased.

As a result, revenue for the Mobile segment rose to ¥227,511 million, a 31.9% year-on-year increase, but segment losses reached ¥421,172 million, compared to a loss of ¥227,258 million in the fiscal year ended December 31, 2020, as prior investments continued mainly for the installment of the Rakuten Group's own base stations in the mobile business.

(Millions of Yen)

	Fiscal Year ended December 31, 2020	Fiscal Year ended December 31, 2021	Amount Change YoY	% Change YoY
Segment revenue	172,451	227,511	55,060	31.9%
Segment loss	(227,258)	(421,172)	(193,914)	—%

(2) Overview of Financial Position for the Fiscal Year ended December 31, 2021

Assets

Total assets as of December 31, 2021 amounted to ¥16,831,221 million, an increase of ¥4,306,783 million from ¥12,524,438 million at the end of the previous fiscal year. The primary factors were an increase of ¥1,388,995 million in cash and cash equivalents, an increase of ¥1,092,282 million in loans for banking business, an increase of ¥415,315 million in financial assets for securities business, and an increase of ¥355,435 million of loans for card business.

Liabilities

Total liabilities as of December 31, 2021 amounted to ¥15,713,931 million, an increase of ¥3,818,507 million from ¥11,895,424 million at the end of the previous fiscal year. The primary factors include an increase of ¥2,132,208 million in deposits for banking business, an increase of ¥915,455 million in bonds and borrowings, and an increase of ¥445,769 million in financial liabilities for securities business.

Equity

Total equity as of December 31, 2021 was ¥1,117,290 million, an increase of ¥488,276 million from ¥629,014 million at the end of the previous fiscal year. The primary factors include a decrease of ¥147,778 million in retained earnings due mainly to the recording of ¥133,828 million in net loss attributable to owners of the Company during the fiscal year ended December 31, 2021, offset by increases of ¥83,750 million in common stock and ¥84,126 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.

(3) Overview of Cash Flows for the Fiscal Year ended December 31, 2021

Cash and cash equivalents as of December 31, 2021 stood at ¥4,410,301 million, an increase of ¥1,388,995 million from the end of the previous fiscal year. Cash flow conditions and their main factors for the fiscal year ended December 31, 2021 are as follows.

Cash Flows from Operating Activities

Net cash flows from operating activities for the fiscal year ended December 31, 2021 resulted in a cash inflow of ¥582,707 million (compared with a cash inflow of ¥1,041,391 million for the previous fiscal year). Main factors included a cash outflow of ¥1,092,238 million due to an increase in loans for banking business, a cash outflow of ¥414,794 million due to an increase in financial assets for securities business, and a cash outflow of ¥354,240 million due to an increase in loans for credit card business, offset by a cash inflow of ¥2,130,634 million due to an increase in deposits for banking business and a cash inflow of ¥445,190 million due to an increase in financial liabilities for securities business.

Cash Flows from Investing Activities

Cash flows from investing activities for the fiscal year ended December 31, 2021 resulted in a cash outflow of ¥611,830 million (compared with a cash outflow of ¥303,347 million for the previous fiscal year). Main factors included a cash outflow of ¥286,859 million due to purchases of property, plant and equipment, a net cash outflow of ¥192,569 million due to purchases and sales, etc. of investment securities for banking business (a cash outflow of ¥736,644 million due to purchases of investment securities and a cash inflow of ¥544,075 million due to proceeds from sales and redemption of investment securities), and a cash outflow of ¥123,782 million due to purchases of intangible assets.

Cash Flows from Financing Activities

Cash flows from financing activities for the fiscal year ended December 31, 2021 resulted in a cash inflow of ¥1,402,265 million (compared with a cash inflow of ¥808,108 million for the previous fiscal year). Main factors included a cash outflow of ¥207,401 million due to repayments of long-term borrowings, offset by a cash inflow of ¥729,142 million due to proceeds from long-term borrowings, a cash inflow of ¥355,321 million due to proceeds from the issuance of bonds, a cash inflow of ¥315,708 million due to proceeds from the issuance of other equity instruments, and a cash inflow of ¥159,047 million due to proceeds from the issuance of shares.

(4) Future Outlook

For the forecast of consolidated operating results for the fiscal year ending December 31, 2022, the Rakuten Group aims at double-digit growth on the fiscal year ended December 31, 2021 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, promoting the introduction of a common shipping threshold, and further opening up the Rakuten Ecosystem with a view to expanding the e-commerce platform, while creating new markets through the use of technologies such as data and AI. In the travel booking service “Rakuten Travel”, while recovery is expected predominantly in domestic travel, revenue and profit may decline depending on future impact of COVID-19. In overseas Internet services, we aim to expand the Rakuten Ecosystem's membership base, raise the profile of the brand, and provide new value to users.

FinTech

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

Mobile

In mobile services, revenue from telecommunication charges is expected to increase in tandem with an increase in new subscriptions and the gradual termination of the campaigns offering free telecommunications charges among existing users. In addition, the Company will continue to work on improving the quality of its 4G network and developing 5G base stations nationwide. Accordingly, operating expenses including depreciation are expected to continually occur. On the other hand, roaming charges are expected to decline from the second quarter ending June 30, 2022 onward due to the progress in switching our service provision from the areas covered under our partner's network to the areas covered under our own network.

(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, 2021, 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 14, 2022, in accordance with the aforementioned basic policy.

(Reference) Trends in Dividend per Share

	Fiscal Year ended December 31, 2017	Fiscal Year ended December 31, 2018	Fiscal Year ended December 31, 2019	Fiscal Year ended December 31, 2020	Fiscal Year ended December 31, 2021
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, 2022, 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.

3. Consolidated Financial Statements and Notes

(1) Consolidated Statements of Financial Position

(Millions of Yen)

	As of December 31, 2020	As of December 31, 2021
Assets		
Cash and cash equivalents	3,021,306	4,410,301
Accounts receivable – trade	243,886	307,821
Financial assets for securities business	2,673,229	3,088,544
Loans for credit card business	2,033,013	2,388,448
Investment securities for banking business	266,227	459,104
Loans for banking business	1,436,513	2,528,795
Investment securities for insurance business	283,969	290,455
Derivative assets	32,644	45,056
Investment securities	275,236	281,179
Other financial assets	492,686	642,650
Investments in associates and joint ventures	58,072	68,991
Property, plant and equipment	684,110	975,362
Intangible assets	639,589	858,997
Deferred tax assets	126,203	225,100
Other assets	257,755	260,418
Total assets	12,524,438	16,831,221
Liabilities		
Accounts payable – trade	337,427	392,455
Deposits for banking business	4,716,162	6,848,370
Financial liabilities for securities business	2,587,227	3,032,996
Derivative liabilities	78,318	24,825
Bonds and borrowings	2,487,457	3,402,912
Other financial liabilities	1,131,505	1,415,368
Income tax payable	8,700	13,499
Provisions	162,579	198,263
Insurance business policy reserves	285,336	247,911
Employee retirement benefit liabilities	19,272	29,752
Deferred tax liabilities	1,920	2,488
Other liabilities	79,521	105,092
Total liabilities	11,895,424	15,713,931
Equity		
Equity attributable to owners of the Company		
Common stock	205,924	289,674
Capital surplus	227,844	311,970
Other equity instruments	—	317,316
Retained earnings	290,449	142,671
Treasury stock	(84,941)	(0)
Other components of equity	(30,538)	32,088
Total equity attributable to owners of the Company	608,738	1,093,719
Non-controlling interests	20,276	23,571
Total equity	629,014	1,117,290
Total liabilities and equity	12,524,438	16,831,221

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

(Millions of Yen)

	Fiscal Year ended December 31, 2020 (January 1 to December 31, 2020)	Fiscal Year ended December 31, 2021 (January 1 to December 31, 2021)
Continuing Operations		
Revenue	1,455,538	1,681,757
Operating expenses	1,579,630	1,966,419
Other income	54,483	108,037
Other expenses	24,240	18,101
Operating loss	(93,849)	(194,726)
Financial income	60,150	18,904
Financial expenses	79,607	38,642
Share of income (losses) of investments in associates and joint ventures	(37,710)	1,834
Loss before income tax	(151,016)	(212,630)
Income tax expense	(35,178)	(76,804)
Net loss	(115,838)	(135,826)
Net loss attributable to:		
Owners of the Company	(114,199)	(133,828)
Non-controlling interests	(1,639)	(1,998)
Net loss	(115,838)	(135,826)
(Yen)		
Losses per share attributable to owners of the Company		
Basic	(84.00)	(87.62)
Diluted	(84.00)	(87.62)

Consolidated Statements of Comprehensive Income

(Millions of Yen)

	Fiscal Year ended December 31, 2020 (January 1 to December 31, 2020)	Fiscal Year ended December 31, 2021 (January 1 to December 31, 2021)
Net loss	(115,838)	(135,826)
Other comprehensive income		
Items that will not be reclassified to net income		
Gains and losses on equity instruments measured at fair value through other comprehensive income	(18,898)	(5,331)
Income tax effect of gains and losses on equity instruments measured at fair value through other comprehensive income	4,680	1,105
Remeasurement of insurance business policy reserves based on current market interest rates	2,684	577
Income tax effect of remeasurement of insurance business policy reserves based on current market interest rates	(752)	(193)
Remeasurement of defined benefit plans	(1,434)	(1,836)
Income tax effect of remeasurement of defined benefit plans	439	540
Other comprehensive income of investments in associates and joint ventures	(57)	163
Total items that will not be reclassified to net income	(13,338)	(4,975)
Items that may be reclassified to net income		
Foreign currency translation adjustments	(18,415)	66,681
Reclassification of foreign currency translation adjustments due to disposal of foreign operating businesses	7,578	(753)
Corporate income tax on foreign currency translation adjustments	(1,166)	—
Gains and losses on debt instruments measured at fair value through other comprehensive income	1,616	(1,868)
Allowances for doubtful debts on debt instruments measured at fair value through other comprehensive income	34	(7)
Losses on debt instruments measured at fair value through other comprehensive income reclassified from other comprehensive income to net income	(254)	(246)
Income tax effect of gains or losses on debt instruments measured at fair value through other comprehensive income	(403)	561
Gains (Losses) on cash flow hedges recognized in other comprehensive income	(766)	6,027
Income tax effect of gains or losses on cash flow hedges recognized in other comprehensive income	239	(1,841)
Gains (Losses) on cash flow hedges reclassified from other comprehensive income to net income	3,893	(7,767)
Income tax effect of gains or losses on cash flow hedges reclassified from other comprehensive income to net income	(1,208)	2,385
Other comprehensive income of investments in associates and joint ventures	(2,015)	4,993
Gains (Losses) on other comprehensive income of investments in associates and joint ventures reclassified from other comprehensive income to net income	7,642	(405)
Total items that may be reclassified to net income	(3,225)	67,760
Other comprehensive income, net of tax	(16,563)	62,785
Comprehensive income	(132,401)	(73,041)

Consolidated Statements of Comprehensive Income (Continued)

(Millions of Yen)

	Fiscal Year ended December 31, 2020 (January 1 to December 31, 2020)	Fiscal Year ended December 31, 2021 (January 1 to December 31, 2021)
Comprehensive income attributable to:		
Owners of the Company	(131,130)	(73,417)
Non-controlling interests	(1,271)	376
Comprehensive income	(132,401)	(73,041)

(3) Consolidated Statements of Changes in Equity

(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	—	—	—	(114,199)	—	—	—
Other comprehensive income, net of tax	—	—	—	—	—	(6,806)	(13,221)
Total comprehensive income	—	—	—	(114,199)	—	(6,806)	(13,221)
Transactions with owners etc.							
Contributions by and distributions to owners							
Issuance of shares	—	—	—	—	—	—	—
Issuance of other equity instruments	—	—	—	—	—	—	—
Cash dividends paid	—	—	—	(6,103)	—	—	—
Distributions of other equity instruments to owners	—	—	—	—	—	—	—
Reclassified from other components of equity to retained earnings	—	—	—	(2,322)	—	—	2,322
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	—	(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 shares	—	—	—	—	—	—	—
Acquisition and disposal of non-controlling interests	—	—	—	—	—	—	—
Others	—	2	—	—	—	—	—
Total changes in ownership interests in subsidiaries	—	2	—	—	—	—	—
Total transactions with owners etc.	—	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)

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

(Millions of Yen)

	Other components of equity			Total 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				
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, net of tax	2,158	1,933	(995)	(16,931)	(16,931)	368	(16,563)
Total comprehensive income	2,158	1,933	(995)	(16,931)	(131,130)	(1,271)	(132,401)
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)
Distributions of other equity instruments to owners	—	—	—	—	—	—	—
Reclassified from other components of equity to retained earnings	—	—	—	2,322	—	—	—
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	—	—	—	—	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 shares	—	—	—	—	—	309	309
Acquisition and 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 etc.	—	—	—	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

(3) Consolidated Statements of Changes in Equity (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	—	—	—	(133,828)	—	—	—
Other comprehensive income, net of tax	—	—	—	—	—	68,023	(5,651)
Total comprehensive income	—	—	—	(133,828)	—	68,023	(5,651)
Transactions with owners etc.							
Contributions by and distributions to owners							
Issuance of shares	80,000	79,047	—	—	—	—	—
Issuance of other equity instruments	—	—	317,316	—	—	—	—
Cash dividends paid	—	—	—	(6,131)	—	—	—
Distributions of other equity instruments to owners	—	—	—	(4,359)	—	—	—
Reclassified from other components of equity to retained earnings	—	—	—	(2,215)	—	—	2,215
Acquisition of treasury stock	—	—	—	—	(0)	—	—
Disposal of treasury stock	—	(2,412)	—	—	84,759	—	—
Issuance of shares with the exercise of share options	3,750	(3,750)	—	—	—	—	—
Disposal of treasury stock with the exercise of share options	—	(182)	—	—	182	—	—
Issuance of share acquisition rights	—	10,650	—	—	—	—	—
Forfeiture of share acquisition rights	—	(159)	—	159	—	—	—
Others	—	810	—	(1,404)	—	—	—
Total contributions by and distributions to owners	83,750	84,004	317,316	(13,950)	84,941	—	2,215
Changes in ownership interests in subsidiaries							
Issuance of shares	—	—	—	—	—	—	—
Acquisition and disposal of non-controlling interests	—	122	—	—	—	—	—
Others	—	—	—	—	—	—	—
Total changes in ownership interests in subsidiaries	—	122	—	—	—	—	—
Total transactions with owners etc.	83,750	84,126	317,316	(13,950)	84,941	—	2,215
As of December 31, 2021	289,674	311,970	317,316	142,671	(0)	45,325	(4,666)

(3) Consolidated Statements of Changes in Equity (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	—	—	—	—	(133,828)	(1,998)	(135,826)
Other comprehensive income, net of tax	(1,196)	383	(1,148)	60,411	60,411	2,374	62,785
Total comprehensive income	(1,196)	383	(1,148)	60,411	(73,417)	376	(73,041)
Transactions with owners etc.							
Contributions by and distributions to owners							
Issuance of shares	—	—	—	—	159,047	—	159,047
Issuance of other equity instruments	—	—	—	—	317,316	—	317,316
Cash dividends paid	—	—	—	—	(6,131)	—	(6,131)
Distributions of other equity instruments to owners	—	—	—	—	(4,359)	—	(4,359)
Reclassified from other components of equity to retained earnings	—	—	—	2,215	—	—	—
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	—	—	—	—	10,650	—	10,650
Forfeiture of share acquisition rights	—	—	—	—	—	—	—
Others	—	—	—	—	(594)	—	(594)
Total contributions by and distributions to owners	—	—	—	2,215	558,276	—	558,276
Changes in ownership interests in subsidiaries							
Issuance of shares	—	—	—	—	—	3,404	3,404
Acquisition and disposal of non-controlling interests	—	—	—	—	122	(293)	(171)
Others	—	—	—	—	—	(192)	(192)
Total changes in ownership interests in subsidiaries	—	—	—	—	122	2,919	3,041
Total transactions with owners etc.	—	—	—	2,215	558,398	2,919	561,317
As of December 31, 2021	(257)	(5,243)	(3,071)	32,088	1,093,719	23,571	1,117,290

(4) Consolidated Statements of Cash Flows

(Millions of Yen)

	Fiscal Year ended December 31, 2020 (January 1 to December 31, 2020)	Fiscal Year ended December 31, 2021 (January 1 to December 31, 2021)
Cash flows from operating activities		
Loss before income tax	(151,016)	(212,630)
Depreciation and amortization	151,506	197,353
Impairment loss	7,591	4,239
Other loss (income)	(19,413)	(73,183)
Decrease (Increase) in operating receivables	(33,425)	(47,558)
Decrease (Increase) in loans for credit card business	(204,590)	(354,240)
Increase (Decrease) in deposits for banking business	1,555,229	2,130,634
Net decrease (increase) in call loans for banking business	15,000	(5,122)
Decrease (Increase) in loans for banking business	(386,520)	(1,092,238)
Decrease (Increase) in receivables under securities borrowing transactions	—	(147,777)
Increase (Decrease) in operating payables	20,954	45,045
Decrease (Increase) in financial assets for securities business	(697,382)	(414,794)
Increase (Decrease) in financial liabilities for securities business	726,799	445,190
Increase and decrease in derivative assets and liabilities	63,067	(80,114)
Others	18,521	188,962
Income tax paid	(24,930)	(1,060)
Net cash flows from operating activities	1,041,391	582,707
Cash flows from investing activities		
Payments in time deposits	(9,095)	(9,856)
Proceeds from time deposits	10,008	9,180
Purchases of property, plant and equipment	(279,278)	(286,859)
Purchases of intangible assets	(105,796)	(123,782)
Acquisitions of subsidiaries	(22,062)	(42,974)
Proceeds from sales of subsidiaries	62,599	—
Acquisitions of investments in associates and joint ventures	(15,119)	(23,029)
Purchases of investment securities for banking business	(467,460)	(736,644)
Proceeds from sales and redemption of investment securities for banking business	473,499	544,075
Purchases of investment securities for insurance business	(75,676)	(65,781)
Proceeds from sales and redemption of investment securities for insurance business	60,327	77,166
Purchases of investment securities	(7,436)	(15,726)
Proceeds from sales and redemption of investment securities	38,036	61,042
Proceeds from sales and redemption of other financial assets	14,081	2,942
Other payments	(15,314)	(16,506)
Other proceeds	35,339	14,922
Net cash flows from investing activities	(303,347)	(611,830)

(4) Consolidated Statements of Cash Flows (Continued)

(Millions of Yen)

	Fiscal Year ended December 31, 2020 (January 1 to December 31, 2020)	Fiscal Year ended December 31, 2021 (January 1 to December 31, 2021)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	411,279	116,507
Net increase (decrease) in commercial papers	135,500	(6,000)
Proceeds from long-term borrowings	424,590	729,142
Repayments of long-term borrowings	(324,141)	(207,401)
Proceeds from issuance of bonds	148,900	355,321
Redemptions of bonds	(40,000)	(88,766)
Proceeds from sale of shares by forward contract	75,348	—
Proceeds from issuance of shares	—	159,047
Proceeds from issuance of other equity instruments	—	315,708
Distributions of other equity instruments to owners	—	(4,129)
Proceeds from disposal of treasury stock	0	82,347
Repayments of lease liabilities	(34,476)	(44,787)
Cash dividends paid	(6,103)	(6,131)
Others	17,211	1,407
Net cash flows from financing activities	808,108	1,402,265
Effect of change in exchange rates on cash and cash equivalents	(3,403)	15,853
Net increase (decrease) in cash and cash equivalents	1,542,749	1,388,995
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	3,021,306	4,410,301

(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)

The equity method is applied to investments in SY Holdings Co., Ltd. (absorbed by Seiyu Holdings Co., Ltd. on December 31, 2021) since March 1, 2021, due to acquisition of its shares.

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

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

(Significant Accounting Policies)

Significant accounting policies adopted by the Rakuten Group in these consolidated financial statements for the fiscal year ended December 31, 2021 basically remain the same as those adopted in the consolidated financial statements for the previous fiscal year.

Changes in Presentation Method

(Consolidated Statements of Cash Flows)

"Increase and decrease in derivative assets and liabilities", which was included in "others" in "cash flows from operating activities" in the previous fiscal year, is independently disclosed due to the increase of its materiality from the fiscal year ended December 31, 2021. Consolidated financial statements for the previous fiscal year have been restated accordingly to reflect this change.

As a result, ¥81,588 million presented as "others" in "cash flows from operating activities" in the previous fiscal year is restated with ¥63,067 million as "increase and decrease in derivative assets and liabilities" and ¥18,521 million as "others".

(Significant Accounting Estimates and Judgments)

Preparation of the consolidated financial statements under IFRS for the fiscal year ended December 31, 2021 involves accounting estimates in respect of certain significant matters. In the process of adopting accounting policies, management of the Rakuten Group is required to make its own judgments. Resulting accounting estimates by their nature may be different from the actual outcome.

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

Estimates and judgments that have significant impact on the amounts in the consolidated financial statements for the fiscal year ended December 31, 2021 remain the same as those for the previous fiscal year, including those related to the spread of COVID-19, except for the following changes in accounting estimates.

We face uncertainties stemming from deteriorating economic conditions caused by the COVID-19 pandemic, including sluggish consumer spending and increases in the unemployment rate and corporate bankruptcies. But their impact on the Company's management is limited, even in the actual business results since the first quarter ended March 31, 2020, when signs of worsening economic activity began to appear following the spread of COVID-19, as the Rakuten Group provides more than 70 services in a wide range of fields.

Although the spread of COVID-19 will still be a business risk for the Company, the Rakuten Group considers strategies to grow each business with flexible changes to their business model. Therefore, the pandemic has not resulted in changes in accounting estimates and judgments that would have an overall material impact on the consolidated financial statements for the fiscal year ended December 31, 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 December 31, 2021, the accounting estimate of allowance for doubtful accounts has been adjusted as necessary to prepare for deteriorating credit risk and possible incurrence of losses in light of uncertainties based on the future spread of COVID-19.

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

(Changes in Accounting Estimates)

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

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

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

As a result of the above change to the calculation of provisions for customer points, or the cancellation of deduction of the amount equivalent to consumption tax from provisions for the use of points anticipated on or after April 1, 2022, provisions in liabilities increased by ¥8,789 million and operating expenses increased by the same amount compared with the figures calculated using the previous method. In addition, operating loss and loss before income tax increased by ¥8,789 million each for the fiscal year ended December 31, 2021.

(Segment Information)

i. General Information

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

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

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

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

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

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.

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

(Millions of Yen)

	Internet Services	FinTech	Mobile	Total
Segment revenue	874,806	576,195	172,451	1,623,452
Segment profit (loss)	40,396	81,291	(227,258)	(105,571)
Other items				
Depreciation and amortization	35,529	46,625	48,637	130,791

Fiscal year ended December 31, 2021 (January 1 to December 31, 2021)

(Millions of Yen)

	Internet Services	FinTech	Mobile	Total
Segment revenue	1,003,382	619,048	227,511	1,849,941
Segment profit (loss)	107,548	89,120	(421,172)	(224,504)
Other items				
Depreciation and amortization	33,384	51,080	83,724	168,188

Note: From the second quarter ended June 30, 2021, the Rakuten Group has reviewed its business management system with the aim of improving the profitability of the Rakuten Ecosystem in North America. Accordingly, some businesses and subsidiaries providing digital content sites in North America and those engaged in messaging services have been transferred to other segments. The main change was made to Rakuten Kobo Inc. and Viber Media S.a.r.l. etc., included in the Mobile segment, which were transferred to the Internet Services segment. In line with these changes, segment information for the fiscal year ended December 31, 2020 has been restated.

Reconciliation from Segment Revenue to Consolidated Revenue

(Millions of Yen)

	Fiscal Year ended December 31, 2020 (January 1 to December 31, 2020)	Fiscal Year ended December 31, 2021 (January 1 to December 31, 2021)
Segment revenue	1,623,452	1,849,941
Intercompany transactions, etc.	(167,914)	(168,184)
Consolidated revenue	1,455,538	1,681,757

Reconciliation from Segment Loss to Loss Before Income Tax

(Millions of Yen)

	Fiscal Year ended December 31, 2020 (January 1 to December 31, 2020)	Fiscal Year ended December 31, 2021 (January 1 to December 31, 2021)
Segment loss	(105,571)	(224,504)
Intercompany transactions, etc.	2,904	(495)
Non-GAAP operating loss	(102,667)	(224,999)
Amortization of intangible assets	(9,502)	(9,321)
Share based compensation expenses	(10,612)	(10,059)
One-off items (Note)	28,932	49,653
Operating loss	(93,849)	(194,726)
Financial income and expenses	(19,457)	(19,738)
Share of income (losses) of investments in associates and joint ventures	(37,710)	1,834
Loss before income tax	(151,016)	(212,630)

Note: One-off items listed for the fiscal year ended December 31, 2020 include a gain on sale 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 property, plant and equipment etc. due to the closure of certain U.S. based business. One-off items listed for the fiscal year ended December 31, 2021 include a gain on step acquisition of ¥59,496 million as a result of making Altiostar Networks, Inc. a wholly-owned subsidiary of the Company and expenses of ¥8,789 million associated with an increase in provision for customer points as a result of revisions in the Rakuten Point Terms of Use.

iii. 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 Securities	Rakuten Bank	Rakuten Mobile	Others	Revenue from external customers
Fiscal Year ended December 31, 2020	310,940	183,480	66,197	76,855	125,306	692,760	1,455,538
Fiscal Year ended December 31, 2021	389,708	191,517	86,382	78,488	146,665	788,997	1,681,757

iv. Geographic Information

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

For the fiscal year ended December 31, 2021

(Millions of Yen)

	Japan	Americas	Europe	Asia	Others	Total
Revenue from external customers	1,398,283	181,810	38,216	62,073	1,375	1,681,757
Property, plant and equipment and intangible assets	1,368,929	315,467	106,651	40,554	2,758	1,834,359

v. Major Customers

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.

For the fiscal year ended December 31, 2021

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, 2020 (January 1 to December 31, 2020)	Fiscal Year ended December 31, 2021 (January 1 to December 31, 2021)
Advertising and promotion expenditures	264,063	347,959
Employee benefits expenses	236,092	267,847
Depreciation and amortization	151,506	197,353
Communication and maintenance expenses	40,497	59,893
Consignment and subcontract expenses	91,069	133,488
Allowance for doubtful accounts charged to expenses	45,967	40,866
Cost of sales of merchandise and services rendered	530,977	669,372
Interest expense for finance business	9,477	12,705
Commission fee expense for finance business	14,974	17,008
Insurance claims and other payments, and provision of insurance business policy reserves	54,471	49,306
Others	140,537	170,622
Total	1,579,630	1,966,419

(Other Income and Other Expense)

(1) Other Income

(Millions of Yen)

	Fiscal Year ended December 31, 2020 (January 1 to December 31, 2020)	Fiscal Year ended December 31, 2021 (January 1 to December 31, 2021)
Gain on sales of subsidiary (Note 1)	40,926	—
Valuation gains on securities (Note 2)	7,813	40,969
Gain on step acquisition (Note 3)	754	59,496
Others	4,990	7,572
Total	54,483	108,037

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: Valuation gains on securities related to investments in FinTech-related companies in the investment business of ¥27,827 million was recorded during the fiscal year ended December 31, 2021.

Note 3: A gain on step acquisitions of ¥59,496 million was recorded as a result of making AltioStar Networks, Inc. a wholly-owned subsidiary of the Company during the fiscal year ended December 31, 2021.

(2) Other Expense

(Millions of Yen)

	Fiscal Year ended December 31, 2020 (January 1 to December 31, 2020)	Fiscal Year ended December 31, 2021 (January 1 to December 31, 2021)
Foreign exchange losses	1,847	455
Losses on disposal of property, plant and equipment and intangible assets	2,606	1,596
Valuation losses on securities	7,591	4,239
Others (Note)	12,196	11,811
Total	24,240	18,101

Note: In the fiscal year ended December 31, 2020, a loss on investments in the filmmaking business of ¥3,277 million was recorded.

In the fiscal year ended December 31, 2021, a loss on sales of investments in associates and joint ventures of ¥4,165 million was recorded.

(Financial Income and Financial Expenses)

(1) Breakdown of Financial Income

(Millions of Yen)

	Fiscal Year ended December 31, 2020 (January 1 to December 31, 2020)	Fiscal Year ended December 31, 2021 (January 1 to December 31, 2021)
Interest income	602	681
Gains on valuation of derivatives (Note 1)	—	16,650
Gains on valuation of securities (Note 2)	57,564	1,568
Others	1,984	5
Total	60,150	18,904

Note 1: Valuation gains on derivatives arising from the collar agreement of Lyft, Inc. shares of ¥11,764 million was recorded during the fiscal year ended December 31, 2021.

Note 2: Valuation gains on securities related to an investment in Lyft, Inc. of ¥56,980 million was recorded during the fiscal year ended December 31, 2020.

(2) Breakdown of Financial Expenses

(Millions of Yen)

	Fiscal Year ended December 31, 2020 (January 1 to December 31, 2020)	Fiscal Year ended December 31, 2021 (January 1 to December 31, 2021)
Interest expenses (Note 1)	13,866	18,061
Losses on valuation of derivatives (Note 2)	65,118	333
Losses on valuation of securities (Note 3)	—	4,477
Foreign exchange losses (Note 4)	—	10,252
Others	623	5,519
Total	79,607	38,642

Note 1: Interest expenses include interest expenses associated with lease liabilities of ¥1,176 million for the fiscal year ended December 31, 2020 and ¥1,590 million for the fiscal year ended December 31, 2021.

Note 2: Valuation loss on derivatives arising from the collar agreement of Lyft, Inc. shares of ¥63,903 million was recorded during the fiscal year ended December 31, 2020.

Note 3: Valuation loss on securities related to an investment in Lyft, Inc. of ¥4,477 million was recorded during the fiscal year ended December 31, 2021.

Note 4: ¥10,252 million arising from liabilities relating to funds raised from the utilization of Lyft, Inc. shares was recorded during the fiscal year ended December 31, 2021.

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

During the first quarter ended March 31, 2021, the Rakuten Group made investments in shares of Seiyu Holdings Co., Ltd., which have been accounted for using the equity method. Because the measurement of fair value 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 the third quarter ended September 30, 2021, the gain from the bargain purchase was a provisional amount based on all information available as of the acquisition date and the calculation of the difference with the cost of the investment was completed in the fourth quarter ended December 31, 2021. As a result, the Rakuten Group recorded income of ¥8,307 million in share of income of investments in associates and joint ventures, including a gain from the bargain purchase of Seiyu Holdings Co., Ltd. proportional to the share held by the Rakuten Group, during the fiscal year ended December 31, 2021.

(Earnings per Share)

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

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

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

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

	Fiscal Year ended December 31, 2020			Fiscal Year ended December 31, 2021		
	Basic	Adjustments	Diluted	Basic	Adjustments	Diluted
Net loss attributable to owners of the Company (Millions of Yen)	(114,199)	—	(114,199)	(133,828)	—	(133,828)
Weighted average number of shares (Thousands of Shares)	1,359,478	—	1,359,478	1,527,425	—	1,527,425
Loss per share (Yen)	(84.00)	—	(84.00)	(87.62)	—	(87.62)

Note: 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.

For the fiscal year ended December 31, 2021, share acquisition rights corresponding to 34,712 thousand shares have been excluded from the calculation of diluted loss per share, as they have reverse dilutive effects.

(Notes on Significant Subsequent Events)

No items to report.