

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, 2022

Rakuten Group, Inc.
February 14, 2023

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, 2023
Scheduled date of submission of Securities Report: March 30, 2023
Scheduled start date of dividend payment: March 13, 2023
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, 2022 (January 1 – December 31, 2022)

(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, 2022	1,927,878	14.6	(363,892)	—	(407,894)	—	(375,911)	—
Fiscal Year ended December 31, 2021	1,681,757	15.5	(194,726)	—	(212,630)	—	(135,826)	—

	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, 2022	(372,884)	—	(305,976)	—	(235.00)	(235.16)
Fiscal Year ended December 31, 2021	(133,828)	—	(73,041)	—	(87.62)	(87.62)

	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, 2022	(39.1)	(2.2)	(18.9)
Fiscal Year ended December 31, 2021	(15.7)	(1.4)	(11.6)

(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, 2022	20,437,298	871,090	813,730	4.0	511.63
As of December 31, 2021	16,831,221	1,117,290	1,093,719	6.5	691.47

(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, 2022	(257,947)	(952,408)	1,486,684	4,694,360
Fiscal Year ended December 31, 2021	582,707	(611,830)	1,402,265	4,410,301

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	%	%
FY2021	—	0.00	—	4.50	4.50	7,118	—	0.8
FY2022	—	0.00	—	4.50	4.50	7,157	—	0.7
FY2023 (Forecast)	—	—	—	—	—		—	

Note: Dividend per share for the fiscal year ending December 31, 2023 has not been decided yet.

3. Estimate of Consolidated Operating Results for fiscal year 2023 (January 1 to December 31, 2023)

For the estimate of consolidated operating results for fiscal year 2023, double-digit growth on consolidated operating results for fiscal year 2022 is estimated for fiscal year 2023 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 required by 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)
1,590,463,000 shares (As of December 31, 2022)
1,581,735,100 shares (As of December 31, 2021)
2. Number of treasury stocks at the end of the period
244 shares (As of December 31, 2022)
234 shares (As of December 31, 2021)
3. Average number of shares during the period (cumulative from the beginning of the year)
1,586,752,140 shares (January 1 – December 31, 2022)
1,527,424,886 shares (January 1 – December 31, 2021)

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, 2023 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, 2022

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, 2022 (Non-GAAP basis)

Although the world economy continued to pick up moderately during the fiscal year ended December 31, 2022 despite weakness seen in some regions, it will be necessary to pay attention to the impact from global monetary tightening, spread of infection in China, and increasing risk of economic downturn due to rising prices and other factors. Despite some weakness, the Japanese economy is recovering moderately including consumer spending, and going forward, it is expected to pick up partly due to the effects of various policies.

In a world where we live with COVID-19, the Company believes that societal demand has increased even further for digital services that enable people to purchase products and services without physical contact or face-to-face interaction. The recent situation in Ukraine has also had a certain degree of impact on the Group’s business activities, but it is expected that this will only have a limited impact on the Group’s business performance and financial status as the percentage of our revenue related to Ukraine and Russia is insignificant.

Under such an environment, the Rakuten Group is developing and promoting the use of services that leverage advanced technologies such as AI and data both online and offline based on membership and shared loyalty point programs. Rakuten Mobile was the first company in the world to introduce Open RAN that enables multi-vendor wireless access networks, including cell phone base stations, as well as vRAN, a virtualization technology, across its entire commercial network. In addition, Rakuten Symphony is proposing the open and fully virtualized architecture implemented by Rakuten Mobile to telecommunications companies around the world, as telecommunications carriers continue to innovate their network equipment configurations. Going forward, the Rakuten Group will continue to enhance its competitiveness by further evolving the Rakuten Ecosystem.

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. In addition, steady recovery in demand for domestic travel and other factors resulted in growth in transaction volume in domestic e-commerce services. In the FinTech segment, the customer base for each service has continued to expand, and the Group achieved increases in revenue and profit in credit card related services and banking services, among others. In the Mobile segment, revenue increased compared to the fiscal year ended December 31, 2021 due to an increase in telecommunication fee revenues and other factors.

As a result, the Rakuten Group recorded revenue of ¥1,927,878 million, up 14.6% year-on-year for the fiscal year ended December 31, 2022. In the Mobile segment, although its segment loss peaked in the first quarter ended March 31, 2022 and has contracted thereafter, it recorded a Non-GAAP operating loss of ¥325,645 million, compared to a Non-GAAP operating loss of ¥224,999 million in the previous fiscal year due to ongoing prior investments such as the installation of its own base stations.

(Non-GAAP)

(Millions of Yen)

	Fiscal Year ended December 31, 2021	Fiscal Year ended December 31, 2022	Amount Change YoY	% Change YoY
Revenue	1,681,757	1,927,878	246,121	14.6%
Non-GAAP operating loss	(224,999)	(325,645)	(100,646)	—%

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

For the fiscal year ended December 31, 2022, amortization of intangible assets of ¥10,484 million and share based compensation expenses of ¥12,587 million were excluded from the Non-GAAP operating loss. 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. One-off items listed for the fiscal year ended December 31, 2022 include expenses associated with an increase in provision for customer points as a result of changes in the Rakuten Point Terms of Use and estimated expenses incurred from fraudulent acts committed in collusion by former employees of a subsidiary and suppliers, which are included as other expenses in the Consolidated Statement of Income.

(Millions of Yen)

	Fiscal Year ended December 31, 2021	Fiscal Year ended December 31, 2022	Amount Change YoY
Non-GAAP operating loss	(224,999)	(325,645)	(100,646)
Amortization of intangible assets (PPA)	(9,321)	(10,484)	(1,163)
Share based compensation expenses	(10,059)	(12,587)	(2,528)
One-off items	49,653	(15,176)	(64,829)
IFRS operating loss	(194,726)	(363,892)	(169,166)

iii) Business Results for the fiscal year ended December 31, 2022 (IFRS basis)

For the fiscal year ended December 31, 2022, the Rakuten Group recorded revenue of ¥1,927,878 million, up 14.6% year-on-year, and an IFRS operating loss of ¥363,892 million, compared with an IFRS operating loss of ¥194,726 million in the fiscal year ended December 31, 2021, and a net loss attributable to owners of the Company of ¥372,884 million, compared with a net loss of ¥133,828 million in the fiscal year ended December 31, 2021.

(IFRS)

(Millions of Yen)

	Fiscal Year ended December 31, 2021	Fiscal Year ended December 31, 2022	Amount Change YoY	% Change YoY
Revenue	1,681,757	1,927,878	246,121	14.6%
IFRS operating loss	(194,726)	(363,892)	(169,166)	—%
Net loss attributable to owners of the Company	(133,828)	(372,884)	(239,056)	—%

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, 2022, the aggregation method of point expenses in the headquarter administrative departments and business departments has been changed and applied retrospectively. In accordance with this change, segment revenue and segment profit in the Internet Services segment decreased by ¥4,197 million respectively for the fiscal year ended December 31, 2021, compared to those before the retrospective application. This change has no impact on consolidated revenue, Non-GAAP operating loss, or operating loss amounts.

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 threshold and further opening up the Rakuten Ecosystem. Services such as the internet shopping mall “Rakuten Ichiba” and “Rakuten Seiyu Netsuper”, which provides home delivery services for food and daily necessities, have continued to see further growth in transaction value even compared with the fiscal year ended December 31, 2021 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”.

The online travel booking service, “Rakuten Travel”, saw significant growth in transaction value compared to the previous fiscal year, thanks to government support measures as well as the success of sales promotion measures and other measures in line with the recovery in demand for domestic travel.

In other Internet services including overseas Internet services, revenue grew mainly in the US cashback service “Rakuten Rewards”.

In the fiscal year ended December 31, 2021, the Group recorded ¥27,827 million in valuation gains on investment securities related to investments in FinTech-related companies in the investment business, resulting in a year-on-year decrease in segment profit.

As a result, revenue for the Internet Services segment rose to ¥1,085,872 million, an 8.7% year-on-year increase, while segment profit stood at ¥78,203 million, a 24.3% year-on-year decrease.

(Millions of Yen)

	Fiscal Year ended December 31, 2021	Fiscal Year ended December 31, 2022	Amount Change YoY	% Change YoY
Segment revenue	999,185	1,085,872	86,687	8.7%
Segment profit	103,351	78,203	(25,148)	(24.3)%

FinTech

In credit card related services, the cumulative total number of Rakuten Card issued surpassed 28 million in December 2022. A recovery in offline consumption was seen primarily against a backdrop of the lifting of the COVID-19 pre-emergency status in March 2022, and there were continuous needs for online consumption, which has rooted with stay-at-home consumption amid the COVID-19 pandemic, resulting in growth in shopping transaction volume. In banking services, the number of savings accounts surpassed 13 million in September 2022 and the customer base has continued to expand thereafter. In securities services, domestic stock transaction volume reached a record high and customer retention was further increased.

As a result, the FinTech segment recorded ¥663,393 million in revenue, a 7.2% year-on-year increase, while segment profit stood at ¥98,704 million, a 10.8% year-on-year increase.

(Millions of Yen)

	Fiscal Year ended December 31, 2021	Fiscal Year ended December 31, 2022	Amount Change YoY	% Change YoY
Segment revenue	619,048	663,393	44,345	7.2%
Segment profit	89,120	98,704	9,584	10.8%

Mobile

In mobile services, we worked to improve network quality by focusing on installing our own base stations ahead of schedule. In addition to an increase in the number of users who started to pay telecommunication charges following the expiration of a campaign offering one year of free telecommunication charges, growth in device sales also contributed to increased revenue. On the other hand, network-related expenses such as depreciation also increased.

As a result, the Mobile segment recorded ¥368,669 million in revenue, a 62.0% year-on-year increase due to factors such as an increase in revenue from telecommunication charges. Although a segment loss of ¥492,830 million (compared to losses of ¥421,172 million in the fiscal year ended December 31, 2021) was recorded due to ongoing prior investments such as the installation of our own base stations, the loss has contracted since its peak in the first quarter ended March 31, 2022.

(Millions of Yen)

	Fiscal Year ended December 31, 2021	Fiscal Year ended December 31, 2022	Amount Change YoY	% Change YoY
Segment revenue	227,511	368,669	141,158	62.0%
Segment loss	(421,172)	(492,830)	(71,658)	— %

(2) Overview of Financial Position for the fiscal year ended December 31, 2022

Assets

Total assets as of December 31, 2022 amounted to ¥20,437,298 million, an increase of ¥3,606,077 million from ¥16,831,221 million at the end of the previous fiscal year. The primary factors were an increase of ¥978,764 million in loans for banking business, an increase of ¥571,287 million in other financial assets, an increase of ¥457,547 million in investment securities for banking business, an increase of ¥387,596 million in loans for credit card business, and an increase of ¥342,232 million in financial assets for securities business.

Liabilities

Total liabilities as of December 31, 2022 amounted to ¥19,566,208 million, an increase of ¥3,852,277 million from ¥15,713,931 million at the end of the previous fiscal year. The primary factors include an increase of ¥1,570,727 million in deposits for banking business, an increase of ¥1,075,389 million in borrowings for banking business, and an increase of ¥461,471 million in financial liabilities for securities business.

Equity

Total equity as of December 31, 2022 was ¥871,090 million, a decrease of ¥246,200 million from ¥1,117,290 million at the end of the previous fiscal year. The primary factors include an increase of ¥70,440 million in other components of equity due to the depreciation of Japanese yen, offset by a decrease of ¥396,632 million in retained earnings due mainly to the recording of ¥372,884 million in net loss attributable to owners of the Company during the fiscal year ended December 31, 2022.

(3) Overview of Cash Flows for the fiscal year ended December 31, 2022

Cash and cash equivalents as of December 31, 2022 stood at ¥4,694,360 million, an increase of ¥284,059 million from the end of the previous fiscal year. Cash flow conditions and their main factors for the fiscal year ended December 31, 2022 are as follows.

Cash Flows from Operating Activities

Net cash flows from operating activities for the fiscal year ended December 31, 2022 resulted in a cash outflow of ¥257,947 million (compared with a cash inflow of ¥582,707 million for the previous fiscal year). Main factors included a cash inflow of ¥1,571,129 million due to an increase in deposits for banking business, offset by a cash outflow of ¥978,855 million due to an increase in loans for banking business and a cash outflow of ¥390,380 million due to an increase in receivables under securities borrowing transactions.

Cash Flows from Investing Activities

Cash flows from investing activities for the fiscal year ended December 31, 2022 resulted in a cash outflow of ¥952,408 million (compared with a cash outflow of ¥611,830 million for the previous fiscal year). Main factors included a net cash outflow of ¥477,777 million due to purchases and sales, etc. of investment securities for banking business (a cash outflow of ¥1,393,732 million due to purchases and a cash inflow of ¥915,955 million from sales and redemption), and a cash outflow of ¥298,666 million due to purchases of property, plant and equipment.

Cash Flows from Financing Activities

Cash flows from financing activities for the fiscal year ended December 31, 2022 resulted in a cash inflow of ¥1,486,684 million (compared with a cash inflow of ¥1,402,265 million for the previous fiscal year). Main factors included a cash outflow of ¥480,110 million in net decrease in short-term borrowings for banking business, offset by a cash inflow of ¥1,823,800 million due to proceeds from long-term borrowings for banking business.

(4) Future Outlook

For the forecast of consolidated operating results for the fiscal year ending December 31, 2023, the Rakuten Group aims at double-digit growth on the fiscal year ended December 31, 2022 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, 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, further growth in transaction volume, net sales, and profits is expected due to a recovery in demand for domestic travel. 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 implementing effective and efficient marketing strategies to acquire new members and promote credit card usage. 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 from telecommunication charges is expected to increase due to an increase in new subscribers and increased data usage. We will continue to work on improving network quality in order to enhance customer satisfaction and acquire even more subscribers. However, operating expenses including depreciation are expected to increase along with the expansion of our network. On the other hand, we expect a decrease in roaming charges by switching our service provision from the areas covered under our partner's network to the areas covered under our own network, as well as a decrease in other operating expenses by completing investment in base station facilities, and thereby aim to further improve losses.

(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, 2022, 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, 2023, in accordance with the aforementioned basic policy.

(Reference) Trends in Dividend per Share

	Fiscal Year ended December 31, 2018	Fiscal Year ended December 31, 2019	Fiscal Year ended December 31, 2020	Fiscal Year ended December 31, 2021	Fiscal Year ended December 31, 2022
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, 2023, 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 Statement of Financial Position

(Millions of Yen)

	As of December 31, 2021	As of December 31, 2022
Assets		
Cash and cash equivalents	4,410,301	4,694,360
Accounts receivable – trade	307,821	364,186
Financial assets for securities business	3,088,544	3,430,776
Loans for credit card business	2,388,448	2,776,044
Investment securities for banking business	459,104	916,651
Loans for banking business	2,528,795	3,507,559
Investment securities for insurance business	290,455	269,867
Derivative assets	45,056	181,106
Investment securities	281,179	161,071
Other financial assets	642,650	1,213,937
Investments in associates and joint ventures	68,991	77,541
Property, plant and equipment	975,362	1,262,115
Intangible assets	858,997	974,372
Deferred tax assets	225,100	281,950
Other assets	260,418	325,763
Total assets	16,831,221	20,437,298
Liabilities		
Accounts payable – trade	392,455	450,562
Deposits for banking business	6,848,370	8,419,097
Financial liabilities for securities business	3,032,996	3,494,467
Derivative liabilities	24,825	35,727
Bonds and borrowings	1,355,255	1,760,781
Borrowings for securities business	207,505	157,542
Bonds and borrowings for credit card business	733,852	812,738
Borrowings for banking business	1,106,300	2,181,689
Other financial liabilities	1,415,368	1,627,300
Income tax payable	13,499	18,139
Provisions	198,263	242,909
Insurance business policy reserves	247,911	200,545
Employee retirement benefit liabilities	29,752	34,743
Deferred tax liabilities	2,488	4,709
Other liabilities	105,092	125,260
Total liabilities	15,713,931	19,566,208
Equity		
Equity attributable to owners of the Company		
Common stock	289,674	294,061
Capital surplus	311,970	353,786
Other equity instruments	317,316	317,316
Retained earnings	142,671	(253,961)
Treasury stock	(0)	(0)
Other components of equity	32,088	102,528
Total equity attributable to owners of the Company	1,093,719	813,730
Non-controlling interests	23,571	57,360
Total equity	1,117,290	871,090
Total liabilities and equity	16,831,221	20,437,298

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statement of Income

(Millions of Yen)

	Fiscal Year ended December 31, 2021 (January 1 to December 31, 2021)	Fiscal Year ended December 31, 2022 (January 1 to December 31, 2022)
Continuing Operations		
Revenue	1,681,757	1,927,878
Operating expenses	1,966,419	2,254,118
Other income	108,037	8,383
Other expenses	18,101	46,035
Operating loss	(194,726)	(363,892)
Financial income	18,904	115,432
Financial expenses	38,642	156,886
Share of income (losses) of investments in associates and joint ventures	1,834	(2,548)
Loss before income tax	(212,630)	(407,894)
Income tax benefit	(76,804)	(31,983)
Net loss	(135,826)	(375,911)
Net loss attributable to:		
Owners of the Company	(133,828)	(372,884)
Non-controlling interests	(1,998)	(3,027)
Net loss	(135,826)	(375,911)
		(Yen)
Losses per share attributable to owners of the Company		
Basic	(87.62)	(235.00)
Diluted	(87.62)	(235.16)

Consolidated Statement of Comprehensive Income

(Millions of Yen)

	Fiscal Year ended December 31, 2021 (January 1 to December 31, 2021)	Fiscal Year ended December 31, 2022 (January 1 to December 31, 2022)
Net loss	(135,826)	(375,911)
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	(5,331)	(8,560)
Income tax effect of gains and losses on equity instruments measured at fair value through other comprehensive income	1,105	2,556
Remeasurement of insurance business policy reserves based on current market interest rates	577	2,970
Income tax effect of remeasurement of insurance business policy reserves based on current market interest rates	(193)	(1,076)
Remeasurement of defined benefit plans	(1,836)	2,503
Income tax effect of remeasurement of defined benefit plans	540	(758)
Other comprehensive income of investments in associates and joint ventures	163	82
Total items that will not be reclassified to net income	(4,975)	(2,283)
Items that may be reclassified to net income		
Foreign currency translation adjustments	66,681	90,709
Reclassification of foreign currency translation adjustments due to disposal of foreign operating businesses	(753)	(3,568)
Gains and losses on debt instruments measured at fair value through other comprehensive income	(1,868)	(23,740)
Allowances for doubtful debts on debt instruments measured at fair value through other comprehensive income	(7)	15
Losses on debt instruments measured at fair value through other comprehensive income reclassified from other comprehensive income to net income	(246)	(6)
Income tax effect of gains or losses on debt instruments measured at fair value through other comprehensive income	561	6,760
Gains on cash flow hedges recognized in other comprehensive income	6,027	5,039
Income tax effect of gains or losses on cash flow hedges recognized in other comprehensive income	(1,841)	(1,652)
Losses on cash flow hedges reclassified from other comprehensive income to net income	(7,767)	(8,762)
Income tax effect of gains or losses on cash flow hedges reclassified from other comprehensive income to net income	2,385	2,587
Other comprehensive income of investments in associates and joint ventures	4,993	4,836
Losses on other comprehensive income of investments in associates and joint ventures reclassified from other comprehensive income to net income	(405)	—
Total items that may be reclassified to net income	67,760	72,218
Total other comprehensive income, net of tax	62,785	69,935
Comprehensive income	(73,041)	(305,976)

Consolidated Statement of Comprehensive Income (Continued)

(Millions of Yen)

	Fiscal Year ended December 31, 2021 (January 1 to December 31, 2021)	Fiscal Year ended December 31, 2022 (January 1 to December 31, 2022)
Comprehensive income attributable to:		
Owners of the Company	(73,417)	(303,374)
Non-controlling interests	376	(2,602)
Comprehensive income	(73,041)	(305,976)

(3) Consolidated Statement 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, 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 to owners of other equity instruments	—	—	—	(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	—	—	—	—	—	—	—
Changes in ownership interest in subsidiaries	—	—	—	—	—	—	—
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 Statement 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 to owners of other equity instruments	—	—	—	—	(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
Changes in ownership interest in subsidiaries	—	—	—	—	—	—	—
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

(3) Consolidated Statement 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, 2022	289,674	311,970	317,316	142,671	(0)	45,325	(4,666)
Comprehensive income							
Net loss	—	—	—	(372,884)	—	—	—
Other comprehensive income, net of tax	—	—	—	—	—	91,413	(22,838)
Total comprehensive income	—	—	—	(372,884)	—	91,413	(22,838)
Transactions with owners etc.							
Contributions by and distributions to owners							
Issuance of shares	—	—	—	—	—	—	—
Issuance of other equity instruments	—	—	—	—	—	—	—
Cash dividends paid	—	—	—	(7,118)	—	—	—
Distributions to owners of other equity instruments	—	—	—	(15,127)	—	—	—
Reclassified from other components of equity to retained earnings	—	—	—	(1,148)	—	—	1,148
Acquisition of treasury stock	—	—	—	—	(0)	—	—
Disposal of treasury stock	—	—	—	—	—	—	—
Issuance of shares with the exercise of share options	4,387	(4,387)	—	—	—	—	—
Disposal of treasury stock with the exercise of share options	—	—	—	—	—	—	—
Issuance of share acquisition rights	—	13,359	—	—	—	—	—
Forfeiture of share acquisition rights	—	(186)	—	186	—	—	—
Others	—	—	—	(239)	—	—	—
Total contributions by and distributions to owners	4,387	8,786	—	(23,446)	(0)	—	1,148
Changes in ownership interests in subsidiaries							
Issuance of shares	—	—	—	—	—	—	—
Changes in ownership interest in subsidiaries	—	33,634	—	—	—	—	—
Acquisition and disposal of non-controlling interests	—	(604)	—	—	—	—	—
Others	—	(0)	—	(302)	—	(218)	—
Total changes in ownership interests in subsidiaries	—	33,030	—	(302)	—	(218)	—
Total transactions with owners etc.	4,387	41,816	—	(23,748)	(0)	(218)	1,148
As of December 31, 2022	294,061	353,786	317,316	(253,961)	(0)	136,520	(26,356)

(3) Consolidated Statement 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, 2022	(257)	(5,243)	(3,071)	32,088	1,093,719	23,571	1,117,290
Comprehensive income							
Net loss	—	—	—	—	(372,884)	(3,027)	(375,911)
Other comprehensive income, net of tax	(2,787)	1,894	1,828	69,510	69,510	425	69,935
Total comprehensive income	(2,787)	1,894	1,828	69,510	(303,374)	(2,602)	(305,976)
Transactions with owners etc.							
Contributions by and distributions to owners							
Issuance of shares	—	—	—	—	—	—	—
Issuance of other equity instruments	—	—	—	—	—	—	—
Cash dividends paid	—	—	—	—	(7,118)	—	(7,118)
Distributions to owners of other equity instruments	—	—	—	—	(15,127)	—	(15,127)
Reclassified from other components of equity to retained earnings	—	—	—	1,148	—	—	—
Acquisition of treasury stock	—	—	—	—	(0)	—	(0)
Disposal of treasury stock	—	—	—	—	—	—	—
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	—	—	—	—	13,359	—	13,359
Forfeiture of share acquisition rights	—	—	—	—	—	—	—
Others	—	—	—	—	(239)	—	(239)
Total contributions by and distributions to owners	—	—	—	1,148	(9,125)	—	(9,125)
Changes in ownership interests in subsidiaries							
Issuance of shares	—	—	—	—	—	3,361	3,361
Changes in ownership interest in subsidiaries	—	—	—	—	33,634	31,813	65,447
Acquisition and disposal of non-controlling interests	—	—	—	—	(604)	1,394	790
Others	—	—	—	(218)	(520)	(177)	(697)
Total changes in ownership interests in subsidiaries	—	—	—	(218)	32,510	36,391	68,901
Total transactions with owners etc.	—	—	—	930	23,385	36,391	59,776
As of December 31, 2022	(3,044)	(3,349)	(1,243)	102,528	813,730	57,360	871,090

(4) Consolidated Statement of Cash Flows

(Millions of Yen)

	Fiscal Year ended December 31, 2021 (January 1 to December 31, 2021)	Fiscal Year ended December 31, 2022 (January 1 to December 31, 2022)
Cash flows from operating activities		
Loss before income tax	(212,630)	(407,894)
Depreciation and amortization	197,353	266,118
Impairment loss	4,239	10,948
Other loss (income)	(73,183)	160,314
Decrease (Increase) in operating receivables	(47,558)	(32,249)
Decrease (Increase) in loans for credit card business	(354,240)	(387,316)
Increase (Decrease) in deposits for banking business	2,130,634	1,571,129
Net decrease (increase) in call loans for banking business	(5,122)	(6,805)
Decrease (Increase) in loans for banking business	(1,092,238)	(978,855)
Decrease (Increase) in receivables under securities borrowing transactions	(147,777)	(390,380)
Increase (Decrease) in operating payables	45,045	50,763
Decrease (Increase) in financial assets for securities business	(414,794)	(342,142)
Increase (Decrease) in financial liabilities for securities business	445,190	460,857
Increase and decrease in derivative assets and liabilities	(80,114)	(118,191)
Others	188,962	(89,771)
Income tax paid	(1,060)	(24,473)
Net cash flows from operating activities	582,707	(257,947)
Cash flows from investing activities		
Payments in time deposits	(9,856)	(12,093)
Proceeds from time deposits	9,180	10,421
Purchases of property, plant and equipment	(286,859)	(298,666)
Purchases of intangible assets	(123,782)	(140,747)
Acquisitions of subsidiaries	(42,974)	(25,221)
Acquisitions of investments in associates and joint ventures	(23,029)	(5,784)
Purchases of investment securities for banking business	(736,644)	(1,393,732)
Proceeds from sales and redemption of investment securities for banking business	544,075	915,955
Purchases of investment securities for insurance business	(65,781)	(43,271)
Proceeds from sales and redemption of investment securities for insurance business	77,166	53,154
Purchases of investment securities	(15,726)	(10,800)
Proceeds from sales and redemption of investment securities	61,042	11,861
Proceeds from sales and redemption of other financial assets	2,942	—
Other payments	(16,506)	(22,846)
Other proceeds	14,922	9,361
Net cash flows from investing activities	(611,830)	(952,408)

(4) Consolidated Statement of Cash Flows (Continued)

(Millions of Yen)

	Fiscal Year ended December 31, 2021 (January 1 to December 31, 2021)	Fiscal Year ended December 31, 2022 (January 1 to December 31, 2022)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(12)	122,392
Net increase (decrease) in commercial papers	(6,000)	60,000
Proceeds from long-term borrowings	151,967	141,269
Repayments of long-term borrowings	(69,475)	(104,411)
Proceeds from issuance of bonds	295,598	215,023
Redemptions of bonds	(88,766)	(40,000)
Net increase (decrease) in short-term borrowings for securities business	(33,000)	(50,000)
Proceeds from long-term borrowings for securities business	18,488	—
Net increase (decrease) in short-term borrowings for credit card business	5,019	3,312
Net increase (decrease) in commercial papers for credit card business	—	29,900
Proceeds from long-term borrowings for credit card business	176,087	183,777
Repayments of long-term borrowings for credit card business	(137,926)	(168,186)
Proceeds from issuance of bonds for credit card business	59,723	49,718
Redemptions of bonds for credit card business	—	(20,000)
Net increase (decrease) in short-term borrowings for banking business	144,500	(480,110)
Proceeds from long-term borrowings for banking business	382,600	1,823,800
Repayments of long-term borrowings for banking business	—	(268,200)
Proceeds from issuance of shares	159,047	0
Proceeds from issuance of other equity instruments	315,708	—
Distributions to owners of other equity instruments	(4,129)	(14,251)
Proceeds from disposal of treasury stock	82,347	—
Proceeds from sale of shares of subsidiaries not resulting in change in scope of consolidation	—	80,000
Repayments of lease liabilities	(44,787)	(57,774)
Cash dividends paid	(6,131)	(7,118)
Others	1,407	(12,457)
Net cash flows from financing activities	1,402,265	1,486,684
Effect of change in exchange rates on cash and cash equivalents	15,853	7,730
Net increase (decrease) in cash and cash equivalents	1,388,995	284,059
Cash and cash equivalents at the beginning of the year	3,021,306	4,410,301
Cash and cash equivalents at the end of the year	4,410,301	4,694,360

(5) Assumptions for Going Concern

No items to report.

(6) Notes to the Consolidated Financial Statements**(Basis of Presentation)**

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

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

Rakuten Symphony, Inc. has been included in the scope of consolidation due to its establishment during the first quarter ended March 31, 2022 through an incorporation-type company split.

Also, Robin Systems, Inc. has been included in the scope of consolidation due to the additional acquisition of its shares during the second quarter ended June 30, 2022.

Furthermore, Rakuten Securities Holdings, Inc. has been included in the scope of consolidation due to its establishment during the fourth quarter ended December 31, 2022 through a share transfer.

(Significant Accounting Policies)

Significant accounting policies adopted by the Rakuten Group in these consolidated financial statements for the fiscal year ended December 31, 2022 remain the same as those adopted in the consolidated financial statements for the previous fiscal year.

Changes in the Presentation Method**(Consolidated Statements of Financial Position)**

"Borrowings for banking business", which was included in "bonds and borrowings" in the previous fiscal year, is independently disclosed from the end of the second quarter ended June 30, 2022 to enhance clarity of presentation. In addition, "borrowings for securities business" and "bonds and borrowings for credit card business", which were included in "bonds and borrowings" in the previous fiscal year, are independently disclosed from the end of the third quarter ended September 30, 2022 to enhance clarity of presentation.

In order to reflect these changes in presentation methods, the corresponding amounts from the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, ¥3,402,912 million presented as "bonds and borrowings" in the Consolidated Statement of Financial Position for the previous fiscal year has been reclassified as "bonds and borrowings" of ¥1,355,255 million, "borrowings for securities business" of ¥207,505 million, "bonds and borrowings for credit card business" of ¥733,852 million, and "borrowings for banking business" of ¥1,106,300 million.

(Consolidated Statement of Cash Flows)

"Net increase (decrease) in short-term borrowings for banking business", which was included in "net increase (decrease) in short-term borrowings", and "proceeds from long-term borrowings for banking business", which was included in "proceeds from long-term borrowings", under "cash flows from financing activities" are independently disclosed from the second quarter ended June 30, 2022, respectively, to enhance clarity of presentation. In addition, "net increase (decrease) in short-term borrowings for securities business" and "net increase (decrease) in short-term borrowings for credit card business", which were included in "net increase (decrease) in short-term borrowings", "proceeds from long-term borrowings for securities business" and "proceeds from long-term borrowings for credit card business", which were included in "proceeds from long-term borrowings", and "repayments of long-term borrowings for credit card business", which was included in "repayments of long-term borrowings", all under "cash flows from financing activities" are independently disclosed from the third quarter ended September 30, 2022, respectively, to enhance clarity of presentation. Furthermore, "proceeds from issuance of bonds for credit card business", which was included in "proceeds from issuance of bonds", under "cash flows from financing activities" is independently disclosed from the fiscal year ended December 31, 2022 to enhance clarity of presentation.

In order to reflect these changes in presentation methods, the corresponding amounts from the Consolidated Financial Statements for the fiscal year ended December 31, 2021 have been reclassified.

As a result, ¥116,507 million presented as "net increase (decrease) in short-term borrowings" in the Consolidated Statement of Cash Flows for the fiscal year ended December 31, 2021 has been reclassified as "net increase (decrease) in short-term borrowings of ¥(12) million, "net increase (decrease) in short-term borrowings for securities business" of ¥(33,000) million, "net increase (decrease) in short-term borrowings for credit card business" of ¥5,019 million, and "net increase (decrease) in short-term borrowings for banking business" of ¥144,500 million. ¥729,142 million presented as "proceeds from long-term borrowings" has been reclassified as "proceeds from long-term borrowings" of ¥151,967 million, "proceeds from long-term borrowings for securities business" of ¥18,488 million, "proceeds from long-term borrowings for credit card business" of ¥176,087 million, and "proceeds from long-term borrowings for banking business" of ¥382,600 million. ¥(207,401) million presented as "repayments of long-term borrowings" has been reclassified as "repayments of long-term borrowings" of ¥(69,475) million and "repayments of long-term borrowings for credit card business" of ¥(137,926) million. ¥355,321 million presented as "proceeds from issuance of bonds" has been reclassified as "proceeds from issuance of bonds" of ¥295,598 million and "proceeds from issuance of bonds for credit card business" of ¥59,723 million.

(Significant Accounting Estimates and Judgments)

In preparing the consolidated financial statements under IFRS, the Rakuten Group uses judgments, accounting estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. These estimates and assumptions are based on the best judgment of management, made by gathering past experience and available information and in consideration of various factors that are considered reasonable as of the closing date. However, the figures based on these estimates and assumptions by their nature may differ from actual results.

Estimates and underlying assumptions are subject to continuous review. The effect of these revised estimates is recognized in the period in which the estimates are revised as well as future periods.

Estimates and judgments that have a significant impact on the amounts in the consolidated financial statements for the fiscal year ended December 31, 2022 remain the same as those for the previous fiscal year.

(Changes in Accounting Estimates)

No items to report.

(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 related to credit cards, banking and securities over the Internet, crypto asset (virtual currency) spot transaction, life insurance, general insurance, and electronic money, 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 unusual 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.

iii. Changes in Measurement Methods of Segment Revenue and Segment Profit (Loss) by Operating Segments

From the second quarter ended June 30, 2022, the aggregation method of point expenses in the headquarter administrative departments and business departments has been changed and applied retrospectively. In accordance with this change, segment revenue and segment profit in the Internet Services segment decreased by ¥4,197 million respectively for the fiscal year ended December 31, 2021, compared to those before the retrospective application. This change has no impact on consolidated revenue, Non-GAAP operating loss, or operating loss amounts.

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

(Millions of Yen)

	Internet Services	FinTech	Mobile	Total
Segment revenue	999,185	619,048	227,511	1,845,744
Segment profit (loss)	103,351	89,120	(421,172)	(228,701)
Other items				
Depreciation and amortization	33,384	51,080	83,724	168,188

Fiscal Year ended December 31, 2022 (January 1 to December 31, 2022)

(Millions of Yen)

	Internet Services	FinTech	Mobile	Total
Segment revenue	1,085,872	663,393	368,669	2,117,934
Segment profit (loss)	78,203	98,704	(492,830)	(315,923)
Other items				
Depreciation and amortization	30,954	54,607	140,810	226,371

Reconciliation from Segment Revenue to Consolidated Revenue

(Millions of Yen)

	Fiscal Year ended December 31, 2021 (January 1 to December 31, 2021)	Fiscal Year ended December 31, 2022 (January 1 to December 31, 2022)
Segment revenue	1,845,744	2,117,934
Intercompany transactions, etc.	(163,987)	(190,056)
Consolidated revenue	1,681,757	1,927,878

Reconciliation from Segment Loss to Loss before Income Tax

(Millions of Yen)

	Fiscal Year ended December 31, 2021 (January 1 to December 31, 2021)	Fiscal Year ended December 31, 2022 (January 1 to December 31, 2022)
Segment loss	(228,701)	(315,923)
Intercompany transactions, etc.	3,702	(9,722)
Non-GAAP operating loss	(224,999)	(325,645)
Amortization of intangible assets	(9,321)	(10,484)
Share based compensation expenses	(10,059)	(12,587)
One-off items (Note)	49,653	(15,176)
Operating loss	(194,726)	(363,892)
Financial income and expenses	(19,738)	(41,454)
Share of income (losses) of investments in associates and joint ventures	1,834	(2,548)
Loss before income tax	(212,630)	(407,894)

Note: 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 Altistar 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. One-off items listed for the fiscal year ended December 31, 2022 include expenses associated with an increase in provision for customer points as a result of changes in the Rakuten Point Terms of Use and estimated expenses incurred from fraudulent acts committed in collusion by former employees of a subsidiary and suppliers, which are included as other expenses in the Consolidated Statement of Income.

iv. Products and Services Information

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

(Millions of Yen)

	Rakuten Ichiba and Rakuten Travel	Rakuten Card	Rakuten Bank	Rakuten Securities	Rakuten Mobile	Others	Revenue from external customers
Fiscal Year ended December 31, 2021	389,708	191,517	78,488	86,382	146,665	788,997	1,681,757
Fiscal Year ended December 31, 2022	441,619	196,405	92,682	83,291	188,514	925,367	1,927,878

v. Geographic Information

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

For the fiscal year ended December 31, 2022

(Millions of Yen)

	Japan	Americas	Europe	Asia	Others	Total
Revenue from external customers	1,624,902	212,280	39,639	49,162	1,895	1,927,878
Property, plant and equipment and intangible assets	1,669,793	382,436	119,324	62,159	2,775	2,236,487

vi. Major Customers

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.

For the fiscal year ended December 31, 2022

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, 2021 (January 1 to December 31, 2021)	Fiscal Year ended December 31, 2022 (January 1 to December 31, 2022)
Advertising and promotion expenditures	347,959	364,948
Employee benefits expenses	267,847	341,232
Depreciation and amortization	197,353	266,118
Communication and maintenance expenses	59,893	72,711
Consignment and subcontract expenses	133,488	175,500
Allowance for doubtful accounts charged to expenses	40,866	36,454
Cost of sales of merchandise and services rendered	669,372	716,778
Interest expense for finance business	12,705	16,030
Commission fee expense for finance business	17,008	23,297
Insurance claims and other payments, and provision of insurance business policy reserves	49,306	47,518
Others	170,622	193,532
Total	1,966,419	2,254,118

(Other Income and Other Expenses)

(1) Other Income

(Millions of Yen)

	Fiscal Year ended December 31, 2021 (January 1 to December 31, 2021)	Fiscal Year ended December 31, 2022 (January 1 to December 31, 2022)
Gains on valuation of investment securities (Note 1)	40,969	—
Gains on step acquisition (Note 2)	59,496	—
Others	7,572	8,383
Total	108,037	8,383

Note 1: Gains on valuation of investment securities related to investments in FinTech-related companies in the investment business of ¥27,827 million were recorded during the fiscal year ended December 31, 2021.

Note 2: Gains on step acquisitions of ¥59,496 million were 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 Expenses

(Millions of Yen)

	Fiscal Year ended December 31, 2021 (January 1 to December 31, 2021)	Fiscal Year ended December 31, 2022 (January 1 to December 31, 2022)
Foreign exchange losses	455	4,167
Losses on disposal of property, plant and equipment and intangible assets	1,596	3,076
Losses on valuation of investment securities	—	9,391
Impairment losses	4,239	10,948
Others (Note)	11,811	18,453
Total	18,101	46,035

Note: Losses on sales of investments in associates and joint ventures accounted for using the equity method of ¥4,165 million were recorded for the fiscal year ended December 31, 2021.

Estimated expenses of ¥11,996 million related to fraudulent acts committed in collusion by former employees of a subsidiary and suppliers were recorded for the fiscal year ended December 31, 2022.

(Financial Income and Financial Expenses)

(1) Breakdown of Financial Income

(Millions of Yen)

	Fiscal Year ended December 31, 2021 (January 1 to December 31, 2021)	Fiscal Year ended December 31, 2022 (January 1 to December 31, 2022)
Gains on valuation of derivatives (Note)	16,650	114,890
Gains on valuation of investment securities	1,568	—
Others	686	542
Total	18,904	115,432

Note: Gain on valuation of derivatives from the collar contract for the prepaid variable share forward transactions of shares of Lyft, Inc. of ¥11,764 million were recorded during the fiscal year ended December 31, 2021. Gains on valuation of derivatives from the collar contract for the prepaid variable share forward transactions of shares of Lyft, Inc. of ¥99,949 million and gains on valuation of derivatives from currency swaps related to foreign currency denominated permanent subordinated bonds of ¥14,940 million were recorded during the fiscal year ended December 31, 2022.

(2) Breakdown of Financial Expenses

(Millions of Yen)

	Fiscal Year ended December 31, 2021 (January 1 to December 31, 2021)	Fiscal Year ended December 31, 2022 (January 1 to December 31, 2022)
Interest expenses (Note 1)	18,061	27,440
Losses on valuation of derivatives	333	169
Losses on valuation of investment securities (Note 2)	4,477	110,956
Foreign exchange losses (Note 3)	10,252	17,141
Others	5,519	1,180
Total	38,642	156,886

Note 1: Interest expenses incurred from financial liabilities measured at amortized cost relating to financing under the prepaid variable share forward transactions of shares of Lyft, Inc. of ¥686 million and of ¥953 million were recorded during the fiscal year ended December 31, 2021 and the fiscal year ended December 31, 2022, respectively.

Note 2: Losses on valuation of investment securities related to an investment in Lyft, Inc. of ¥4,477 million and ¥109,341 million were recorded for the fiscal year ended December 31, 2021 and the fiscal year ended December 31, 2022, respectively.

Note 3: Foreign exchange losses of ¥10,252 million and ¥17,141 million arising from liabilities relating to funds raised from the utilization of shares of Lyft, Inc. were recorded for the fiscal year ended December 31, 2021 and the fiscal year ended December 31, 2022, respectively.

(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, 2021			Fiscal Year ended December 31, 2022		
	Basic	Adjustments	Diluted	Basic	Adjustments	Diluted
Net loss attributable to owners of the Company (Millions of Yen)	(133,828)	—	(133,828)	(372,884)	(251)	(373,135)
Weighted average number of shares (Thousands of Shares)	1,527,425	—	1,527,425	1,586,752	—	1,586,752
Loss per share (Yen)	(87.62)	—	(87.62)	(235.00)	(0.16)	(235.16)

Note: 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.

For the fiscal year ended December 31, 2022, share acquisition rights corresponding to 29,734 thousand shares have been excluded from the calculation of diluted loss per share, as they have reverse dilutive effects.

(Notes on Significant Subsequent Events)

Issuance of bonds

The Company issued the following USD-denominated bonds on January 20, 2023.

	USD-denominated unsecured bonds maturing in November 2024 (Note)
Total issuance amount	USD 450 million
Issuance price	97.500% of face value
Interest rate (%)	10.250% per year
Maturity date	November 30, 2024
Redemption method	Lump-sum redemption at maturity
Payment date	January 20, 2023
Purpose of use	Funds for investments and loans to Rakuten Mobile, Inc. and repayment of existing interest-bearing debt

Note: Incremental issuance of USD-denominated unsecured bonds maturing in November 2024 (issued November 30, 2022)

The Company issued the following unsecured bonds on February 10, 2023.

	Rakuten Group, Inc. 22nd Unsecured Bonds (subject to a limited inter-bond pari passu clause)
Total issuance amount	¥250,000 million
Issuance price	¥100 per ¥100 of the amount of each bond
Interest rate (%)	3.30% per year
Maturity date	February 10, 2025
Redemption method	Lump-sum redemption at maturity
Payment date	February 10, 2023
Purpose of use	Funds for investments and loans to Rakuten Mobile, Inc.