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

Consolidated Financial Reports (IFRS)
For the six months ended June 30, 2018

Rakuten, Inc.
August 6, 2018

Company name	Rakuten, Inc.			Listed	Tokyo Stock Exchange
Code No	4755			URL	https://www.rakuten.co.jp/
Representative	(Title)	Chairman and CEO	(Name)	Hiroshi Mikitani	
Contact person	(Title)	CFO	(Name)	Kenji Hirose	

Supplementary materials for financial results: Yes
Financial results information meeting held: Yes (For institutional investors and analysts)

1. Consolidated Results for the six months ended June 30, 2018 (January 1 – June 30, 2018)

(Yen amounts are rounded to the nearest million)

(1) Consolidated Operating Results

(%, YoY)

	Revenue		Operating income		Income before income tax		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended June 30, 2018	512,161	16.4	89,670	30.7	86,101	35.8	64,514	60.3
Six months ended June 30, 2017	440,090	19.3	68,616	39.2	63,420	33.1	40,236	49.2

	Net income attributable to owners of the parent company		Comprehensive income		Basic Earnings per Share attributable to owners of the parent company	Diluted Earnings per Share attributable to owners of the parent company
	Millions of yen	%	Millions of yen	%	Yen	Yen
Six months ended June 30, 2018	64,522	60.0	51,378	91.6	47.86	47.49
Six months ended June 30, 2017	40,315	49.4	26,822	–	28.67	28.44

(2) Consolidated Financial Position

	Total assets	Total equity	Total equity attributable to owners of the parent company	Ratio of total equity attributable to owners of the parent company to total assets
	Millions of yen	Millions of yen	Millions of yen	%
As of June 30, 2018	6,650,055	698,832	697,363	10.5
As of December 31, 2017	6,184,299	683,408	683,181	11.0

2. Dividend Distribution

	Annual dividend per share				
	Q1	Q2	Q3	Q4	Total
	Yen	Yen	Yen	Yen	Yen
FY2017	—	0.00	—	4.50	4.50
FY2018	—	0.00			
FY2018 (Forecast)			—	—	—

Note: Dividend per share for FY2018 is not yet decided, and there are no changes to this previously disclosed dividend forecast.

3. Estimate of Consolidated Operating Results for Fiscal 2018 (January 1 to December 31, 2018)

For the estimate of consolidated operating results for Fiscal 2018, double-digit growth from Fiscal 2017 is targeted for consolidated revenue excluding the securities business whose results are heavily impacted by stock market conditions.

For details, see page P. 7 1.Qualitative Information, Financial Statements, etc. (3) Qualitative Information about Consolidated Business Forecasts.

There are no changes to this previously disclosed forecast.

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: Yes
2. Changes in accounting policies due to other reasons: No
3. Changes in accounting estimates: No

Note: For details, see page 16, 2. Consolidated Financial Statements (Summary) (6) Notes to the summary of consolidated financial statements for the six months ended June 30, 2018 (Significant accounting policies)

(3) Number of shares issued (Common stock)

1. Total number of shares issued at the end of the period (including treasury stocks)
   1,434,573,900 shares (As of June 30, 2018)
   1,434,573,900 shares (As of December 31, 2017)
2. Number of treasury stocks at the end of the period
   84,665,138 shares (As of June 30, 2018)
   87,913,138 shares (As of December 31, 2017)
3. Average number of shares during the period (cumulative from the beginning of the year)
   1,348,055,684 shares (January 1 – June 30, 2018)
   1,406,422,162 shares (January 1 – June 30, 2017)

This financial report is not subject to audit.

Explanation about the appropriate use of earnings forecasts, and other special matters

Consolidated forecasts for the year ending December 31, 2018 are based on information that is available at the time of writing, but a number of known and unknown factors could cause actual results to differ from the projections.

1. Qualitative Information, Financial Statements, etc.

(1) Qualitative Information Concerning Consolidated Business Results

The Rakuten Group discloses consolidated business results in terms of both its internal measures which the 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. The 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 Rakuten Group believes shall be excluded for the purposes of preparing a future outlook based on certain rules. Other adjustment items are those that tend to differ depending on the standards applied, and are therefore less comparable between companies, such as stock-based compensation expenses and amortization of acquisition-related intangible assets.

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

i) Business Results for the Six Months Ended June 30, 2018 (Non-GAAP basis)

The world economy has been recovering gradually during the six months ended June 30, 2018, although attention must still be paid to factors including the outlook for China and other emerging Asian nations. In the U.S., the economy is experiencing a robust recovery. The Japanese economy also enjoyed an ongoing gradual recovery trend due to the recovery of personal consumption and rising consumer prices in the midst of continuing improvement in the wage and employment environment, as well as increased capital investment and production by companies.

In June 2017, the Japanese government adopted the “Investments for the Future Strategy 2017” and “Basic Policy on Economic and Fiscal Management and Reform 2017” by Cabinet decision. These initiatives recognize the need to incorporate innovations such as IoT (Internet of Things), Big Data, AI (Artificial Intelligence), robotics, and the sharing economy throughout all industries and society as a whole.

Under such an environment, the Rakuten Group is at the forefront of corporate efforts to combine knowledge from these fields in order to accelerate the development of businesses, bringing together membership, Big Data, and branding. In domestic e-commerce services, the mainstay of Internet Services, although the Rakuten Group is feeling the impact of volume limits from shipping companies, it is making every effort towards further growth in gross merchandise sales and revenues by concentrating on new strategies. These include sales promotion activities to cultivate loyal customers and win new users, programs aimed at improving customer satisfaction, strategies to enhance services for smart devices, and further opening up the Rakuten Ecosystem. Results are on track for an improvement in overseas Internet services, due to contributions from the steady growth in U.S. subsidiary Ebates Inc. (“Ebates”) and other factors. In the FinTech segment, further expansion of Rakuten Card’s membership base brought in more commission income from services, and banking services performed strongly. In addition, the lively domestic stock market contributed to increased revenue and profit from securities services. In the six months ended June 30, 2018, Rakuten General Insurance Co., Ltd. (company renamed from Asahi Fire & Marine Insurance Co., Ltd. as of July 2, 2018) was made into a wholly-owned subsidiary.

Through these efforts, the Rakuten Group achieved revenue of ¥512,161 million, up 16.4% year-on-year, for the six months ended June 30, 2018. Non-GAAP operating income was ¥90,236 million, up 19.1% year-on-year, reflecting gains on stocks recorded in the investment business.

(Non-GAAP)

(Millions of yen)

	Six months ended June 30, 2017	Six months ended June 30, 2018	Amount Change YoY	% Change YoY
Revenue	440,090	512,161	72,071	16.4%
Non-GAAP Operating Income	75,741	90,236	14,495	19.1%

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

For the six months ended June 30, 2018, amortization of intangible assets of ¥4,422 million and stock-based compensation expenses of ¥3,792 million were excluded from Non-GAAP operating income. In addition, one-off items of ¥7,648 million were recorded mainly due to gains on the bargain purchase of Rakuten General Insurance Co., Ltd.

(Millions of yen)

	Six months ended June 30, 2017	Six months ended June 30, 2018	Amount Change YoY
Non-GAAP operating income	75,741	90,236	14,495
Amortization of intangible assets (PPA)	(3,552)	(4,422)	(870)
Stock based compensation	(3,573)	(3,792)	(219)
One-off items	—	7,648	7,648
Operating Income	68,616	89,670	21,054

iii) Business Results for the Six Months Ended June 30, 2018 (IFRS basis)

The Rakuten Group recorded revenue of ¥512,161 million, up 16.4% year-on-year, IFRS operating income of ¥89,670 million, up 30.7% year-on-year, and net income attributable to owners of the parent company of ¥64,522 million, up 60.0% year-on-year, for the six months ended June 30, 2018.

(IFRS)

(Millions of yen)

	Six months ended June 30, 2017	Six months ended June 30, 2018	Amount Change YoY	% Change YoY
Revenue	440,090	512,161	72,071	16.4%
Operating income	68,616	89,670	21,054	30.7%
Net income attributable to owners of the parent company	40,315	64,522	24,207	60.0%

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.

Internet Services

In the Internet Services segment for the six months ended June 30, 2018, the Rakuten Group aimed for further revenue growth in the mainstay domestic e-commerce services while feeling the impact of volume limits from shipping companies, and worked on various initiatives, including cultivating a loyal customer base, conducting sales activities in order to win new users as well as initiatives targeting greater customer satisfaction, strengthening services for smart devices and opening up the Rakuten Ecosystem.

Results are on track for improvement in overseas e-commerce services, partly thanks to the steady growth of Ebates. Rakuten Mobile, which provides MVNO (Mobile Virtual Network Operator) services, and Viber, which provides messaging and VoIP services, substantially increased revenue thanks to their full-scale aggressive sales activities. The Rakuten Group also proceeded with investment in companies that have innovative technology and business models, and recorded gains on stocks invested in those businesses.

As a result, revenue for the Internet Service segment rose to ¥362,482 million, a 16.1% year-on-year increase, while segment profit stood at ¥53,513 million, a 28.8% year-on-year increase.

(Millions of yen)

	Six months ended June 30, 2017	Six months ended June 30, 2018	Amount Change YoY	% Change YoY
Segment Revenue	312,334	362,482	50,148	16.1%
Segment Profit	41,542	53,513	11,971	28.8%

FinTech

In the FinTech segment for the six months ended June 30, 2018, further expansion of Rakuten Card's membership base brought in more commission income from services, and banking services performed strongly. In addition, the lively domestic stock market contributed to increased revenue and profit from securities services. In the six months ended June 30, 2018, Rakuten General Insurance Co., Ltd. was made into a wholly-owned subsidiary.

As a result, the FinTech segment recorded ¥195,253 million in revenue, a 22.0% year-on-year increase, while segment profit stood at ¥44,544 million, a 26.4% year-on-year increase.

(Millions of yen)

	Six months ended June 30, 2017	Six months ended June 30, 2018	Amount Change YoY	% Change YoY
Segment Revenue	160,044	195,253	35,209	22.0%
Segment Profit	35,252	44,544	9,292	26.4%

(2) Analysis Concerning Financial Position

i) Assets, Liabilities, and Equity

Assets

Total assets as of June 30, 2018 amounted to ¥6,650,055 million, an increase of ¥465,756 million from ¥6,184,299 million at the end of the previous fiscal year. The primary factors were an increase of ¥263,505 million in securities of the insurance business and an increase of ¥89,138 million in other financial assets mainly due to making Rakuten General Insurance Co., Ltd. a subsidiary, while financial assets for the securities business decreased by ¥104,348 million.

Liabilities

Total liabilities as of June 30, 2018 amounted to ¥5,951,223 million, an increase of ¥450,332 million from ¥5,500,891 million at the end of the previous fiscal year. The primary factors were an increase of ¥314,497 million in policy reserves and others for insurance business and an increase of ¥124,272 million in bonds and borrowings mainly due to making Rakuten General Insurance Co., Ltd. a subsidiary, while financial liabilities for securities business decreased by ¥138,145 million.

Equity

Equity as of June 30, 2018 was ¥698,832 million, an increase of ¥15,424 million from ¥683,408 million at the end of the previous fiscal year. The primary factors were a decrease of ¥12,991 million in other components of equity resulting from fluctuations in foreign exchange rates, etc. and an increase of ¥23,157 million in retained earnings. While there was a decrease of ¥35,421 million due to application of IFRS 9 “Financial Instruments” (2014), retained earnings increased mainly due to net income attributable to owners of the parent company of ¥64,522 for the six months ended June 30, 2018.

ii) Cash Flows

Cash and cash equivalents as of June 30, 2018 was ¥737,598 million, an increase of ¥36,717 million from the end of the previous fiscal year. Among these, deposits with the Bank of Japan for banking business were ¥462,122 million, a decrease of ¥13,556 million from the end of the previous fiscal year. Cash flow conditions and their major factors for the six months ended June 30, 2018 are as follows.

Net cash flows from operating activities

Net cash flows from operating activities for the six months ended June 30, 2018 resulted in a cash outflow of ¥49,746 million (compared with a cash inflow of ¥47,284 million for the same period of the previous fiscal year). Primary factors included a cash inflow of ¥104,199 million due to a decrease in financial assets for securities business, and a cash inflow of ¥96,001 million due to an increase in deposits for banking business, offset by a cash outflow of ¥138,005 million due to a decrease in financial liabilities for securities business, a cash outflow of ¥79,080 million due to an increase in loans for banking business, and a cash outflow of ¥44,392 million from an increase in loans for credit card business.

Net cash flows from investing activities

Net cash flows from investing activities for the six months ended June 30, 2018 resulted in a cash outflow of ¥28,585 million (compared with a cash outflow of ¥115,919 million in the same period of the previous fiscal year). Primary factors included a net inflow of ¥9,333 million due to purchase and sale, etc. of investment securities for insurance business (a cash outflow of ¥13,111 million for purchase of investment securities for insurance business and a cash inflow of ¥22,444 million from sales and redemption of investment securities for insurance business), offset by a cash outflow of ¥26,736 million due to purchase of intangible assets including software.

Net cash flows from financing activities

Net cash flows from financing activities for the six months ended June 30, 2018 resulted in a cash inflow of ¥116,336 million (compared with a cash inflow of ¥108,618 million in the same period of the previous fiscal year). Primary factors included a cash outflow of ¥133,668 million for repayment of long-term debt, offset by a cash inflow of ¥179,976 million from long-term debt, a cash inflow of ¥48,798 million from net increase in short-term borrowings, and a cash inflow of ¥29,000 million from net increase in commercial papers.

(3) Qualitative Information about Consolidated Business Forecasts

For the forecast of consolidated operating results for Fiscal 2018, the Rakuten Group aims at double-digit growth from the previous fiscal year for consolidated revenues, excluding results from the securities business which are impacted substantially by the stock market.

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

Internet Services

In services including e-commerce and travel booking services, the Rakuten Group will aim for further growth in gross transaction value and revenue by pursuing various initiatives, including cultivating a loyal customer base, winning new users, improving customer satisfaction, promoting strategies for opening up the Rakuten Ecosystem, and enhancing services for smart devices. The Rakuten Group will also seek to create new markets through the use of technologies such as big data and AI. In media and communication services such as Rakuten Mobile and Viber, we aim to increase revenue by expanding the Rakuten Ecosystem’s membership base and providing new value to users.

FinTech

In credit card related services, we will continue striving to achieve further growth of shopping transaction value by strengthening marketing initiatives aimed at expansion of market share and promotion of group synergy. In banking services, a solid expansion of operations is expected due to steady accumulation of loan balances. Meanwhile, expenses are expected to grow in both of these services due to the application of IFRS 9 “Financial Instruments” (2014), etc. In insurance services, revenue and operating income are expected to increase at Rakuten General Insurance Co., Ltd., which was made a wholly-owned subsidiary in the six months ended June 30, 2018. Meanwhile, it is difficult to make a forecast for securities services due to the substantial impact of stock market conditions.

Rakuten

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

(Millions of yen)

	As of December 31, 2017	As of June 30, 2018
Assets		
Cash and cash equivalents	700,881	737,598
Accounts receivable – trade	128,057	131,835
Financial assets for securities business	1,889,157	1,784,809
Loans for credit card business	1,223,195	1,227,222
Investment securities for banking business	203,161	203,441
Loans for banking business	753,419	821,042
Investment securities for insurance business	21,803	285,308
Derivative assets	19,978	25,919
Investment securities	261,588	291,305
Other financial assets	176,427	265,565
Investments in associates and joint ventures	54,481	52,449
Property, plant and equipment	73,171	83,773
Intangible assets	526,862	549,698
Deferred tax assets	36,472	45,913
Other assets	115,647	144,178
Total assets	6,184,299	6,650,055
Liabilities		
Accounts payable – trade	202,874	221,952
Deposits for banking business	1,946,142	2,041,887
Financial liabilities for securities business	1,790,388	1,652,243
Derivative liabilities	6,918	7,288
Bonds and borrowings	1,015,781	1,140,053
Other financial liabilities	351,779	360,954
Income taxes payable	13,264	13,487
Provisions	76,104	78,318
Insurance business policy reserve	22,050	336,547
Deferred tax liabilities	30,541	37,975
Other liabilities	45,050	60,519
Total liabilities	5,500,891	5,951,223
Equity		
Equity attributable to owners of the parent company		
Common stock	205,924	205,924
Capital surplus	217,185	217,372
Retained earnings	320,397	343,554
Treasury stock	(103,616)	(99,787)
Other components of equity	43,291	30,300
Total equity attributable to owners of the parent company	683,181	697,363
Non-controlling interests	227	1,469
Total equity	683,408	698,832
Total liabilities and equity	6,184,299	6,650,055

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

Consolidated Statement of Income (Summary)
(For the six months ended June 30, 2017 and 2018)

(Millions of yen)

	Six months ended June 30, 2017 (January 1 to June 30, 2017)	Six months ended June 30, 2018 (January 1 to June 30, 2018)
Continuing Operations		
Revenue	440,090	512,161
Operating expenses	386,727	468,636
Other income	17,872	49,584
Other expenses	2,619	3,439
Operating income	68,616	89,670
Financial income	129	429
Financial expenses	1,700	1,972
Share of loss of associates and joint ventures	3,625	2,026
Income before income tax	63,420	86,101
Income tax expense	23,184	21,587
Net income	40,236	64,514
Net income attributable to:		
Owners of the parent company	40,315	64,522
Non-controlling interests	(79)	(8)
Net income	40,236	64,514

(Yen)

Earnings per share attributable to owners of the parent company		
Basic	28.67	47.86
Diluted	28.44	47.49

Consolidated Statement of Income (Summary)
(For the three months ended June 30, 2017 and 2018)

(Millions of yen)

	Three months ended June 30, 2017 (April 1 to June 30, 2017)	Three months ended June 30, 2018 (April 1 to June 30, 2018)
Continuing Operations		
Revenue	228,013	270,290
Operating expenses	199,114	248,632
Other income	684	42,932
Other expenses	1,383	3,018
Operating income	28,200	61,572
Financial income	73	282
Financial expenses	943	1,076
Share of loss of associates and joint ventures	2,124	599
Income before income tax	25,206	60,179
Income tax expense	10,000	13,082
Net income	15,206	47,097
Net income attributable to:		
Owners of the parent company	15,255	47,101
Non-controlling interests	(49)	(4)
Net income	15,206	47,097

(Yen)

Earnings per share attributable to owners of the parent company		
Basic	10.96	34.92
Diluted	10.87	34.67

Consolidated Statement of Comprehensive Income (Summary)
(For the six months ended June 30, 2017 and 2018)

(Millions of yen)

	Six months ended June 30, 2017 (January 1 to June 30, 2017)	Six months ended June 30, 2018 (January 1 to June 30, 2018)
Net income	40,236	64,514
Other comprehensive income		
Items that will not be reclassified to net income		
Gains (losses) on equity instruments measured at fair value through other comprehensive income	(1,806)	227
Income tax effect of gains and losses on equity instruments measured at fair value through other comprehensive income	227	(194)
Remeasurement of insurance business policy reserves based on current market interest rates	1,424	(808)
Income tax effect of remeasurement of insurance business policy reserves based on current market interest rates	(402)	226
Share of other comprehensive income of associates and joint ventures	2	(10)
Total items that will not be reclassified to net income	(555)	(559)
Items that will be reclassified to net income		
Foreign currency translation adjustments	(12,398)	(12,899)
Gains (losses) on debt instruments measured at fair value through other comprehensive income	—	(246)
Allowances for doubtful debts on debt instruments measured at fair value through other comprehensive income	—	74
Gains (losses) on debt instruments measured at fair value through other comprehensive income reclassified from other comprehensive income to net income	—	(111)
Income tax effect of gains or losses on debt instruments measured at fair value through other comprehensive income	—	21
Gains (losses) on cash flow hedges recognized in other comprehensive income	(593)	407
Income tax effect of gains or losses on cash flow hedges recognized in other comprehensive income	77	24
Gains (losses) on cash flow hedges reclassified from other comprehensive income to net income	199	159
Income tax effect of gains or losses on cash flow hedges reclassified from other comprehensive income to net income	(69)	(70)
Share of other comprehensive income of associates and joint ventures	(75)	64
Total items that will be reclassified to net income	(12,859)	(12,577)
Other comprehensive income, net of tax	(13,414)	(13,136)
Comprehensive income	26,822	51,378
Comprehensive income attributable to:		
Owners of the parent company	26,901	51,386
Non-controlling interests	(79)	(8)
Comprehensive income	26,822	51,378

Consolidated Statement of Comprehensive Income (Summary)
(For the three months ended June 30, 2017 and 2018)

(Millions of yen)

	Three months ended June 30, 2017 (April 1 to June 30, 2017)	Three months ended June 30, 2018 (April 1 to June 30, 2018)
Net income	15,206	47,097
Other comprehensive income		
Items that will not be reclassified to net income		
Gains (losses) on equity instruments measured at fair value through other comprehensive income	579	2,134
Income tax effect of gains and losses on equity instruments measured at fair value through other comprehensive income	(229)	(194)
Remeasurement of insurance business policy reserves based on current market interest rates	71	(64)
Income tax effect of remeasurement of insurance business policy reserves based on current market interest rates	(20)	18
Share of other comprehensive income of associates and joint ventures	(1)	(9)
Total items that will not be reclassified to net income	400	1,885
Items that will be reclassified to net income		
Foreign currency translation adjustments	8,096	20,600
Gains (losses) on debt instruments measured at fair value through other comprehensive income	—	(449)
Allowances for doubtful debts on debt instruments measured at fair value through other comprehensive income	—	65
Gains (losses) on debt instruments measured at fair value through other comprehensive income reclassified from other comprehensive income to net income	—	(109)
Income tax effect of gains or losses on debt instruments measured at fair value through other comprehensive income	—	82
Gains (losses) on cash flow hedges recognized in other comprehensive income	(219)	260
Income tax effect of gains or losses on cash flow hedges recognized in other comprehensive income	7	15
Gains (losses) on cash flow hedges reclassified from other comprehensive income to net income	106	46
Income tax effect of gains or losses on cash flow hedges reclassified from other comprehensive income to net income	(37)	(37)
Share of other comprehensive income of associates and joint ventures	183	975
Total items that will be reclassified to net income	8,136	21,448
Other comprehensive income, net of tax	8,536	23,333
Comprehensive income	23,742	70,430
Comprehensive income attributable to:		
Owners of the parent company	23,792	70,434
Non-controlling interests	(50)	(4)
Comprehensive income	23,742	70,430

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

(Millions of yen)

	Common stock	Capital surplus	Retained earnings	Treasury stock	Other components of equity: Foreign currency translation adjustments	Other components of equity: Financial instruments measured at fair value through other comprehensive income	Other components of equity: Cash flow hedges	Other components of equity: Remeasurement of insurance business policy reserves based on current market interest rates	Other components of equity: Total other components of equity	Total equity attributable to owners of the parent company	Non-controlling interests	Total equity
As of January 1, 2017	204,562	211,785	216,866	(3,627)	23,658	33,703	(388)	(4,168)	52,805	682,391	99	682,490
Comprehensive income												
Net income	—	—	40,315	—	—	—	—	—	—	40,315	(79)	40,236
Other comprehensive income net of tax	—	—	—	—	(12,473)	(1,577)	(386)	1,022	(13,414)	(13,414)	0	(13,414)
Total comprehensive income	—	—	40,315	—	(12,473)	(1,577)	(386)	1,022	(13,414)	26,901	(79)	26,822
Transactions with owners												
Contributions by and distributions to owners												
Issuance of common stock	778	777	—	—	—	—	—	—	—	1,555	—	1,555
Cash dividends paid	—	—	(6,419)	—	—	—	—	—	—	(6,419)	—	(6,419)
Reclassification from other components of equity to retained earnings	—	—	152	—	—	(152)	—	—	(152)	—	—	—
Purchase of treasury stock	—	—	—	(57,097)	—	—	—	—	—	(57,097)	—	(57,097)
Disposal of treasury stock associated with execution of stock options												
Others	—	1,650	(98)	(56)	—	—	—	—	—	1,496	—	1,496
Total contributions by and distributions to owners	778	2,427	(6,365)	(57,153)	—	(152)	—	—	(152)	(60,465)	—	(60,465)
Changes in ownership interests in subsidiaries												
Issuance of common stock	—	—	—	—	—	—	—	—	—	—	—	—
Acquisitions and disposals of non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	—
Others	—	(25)	—	—	—	—	—	—	—	(25)	41	16
Total changes in ownership interests in subsidiaries	—	(25)	—	—	—	—	—	—	—	(25)	41	16
Total transactions with owners	778	2,402	(6,365)	(57,153)	—	(152)	—	—	(152)	(60,490)	41	(60,449)
As of June 30, 2017	205,340	214,187	250,816	(60,780)	11,185	31,974	(774)	(3,146)	39,239	648,802	61	648,863
As of January 1, 2018	205,924	217,185	320,397	(103,616)	15,586	31,866	(664)	(3,497)	43,291	683,181	227	683,408
Cumulative effects of change in accounting policy	—	—	(35,421)	—	—	315	—	—	315	(35,106)	—	(35,106)
Opening Balance reflecting change in accounting policy	205,924	217,185	284,976	(103,616)	15,586	32,181	(664)	(3,497)	43,606	648,075	227	648,302
Comprehensive income												
Net income	—	—	64,522	—	—	—	—	—	—	64,522	(8)	64,514
Other comprehensive income net of tax	—	—	—	—	(12,835)	(239)	520	(582)	(13,136)	(13,136)	—	(13,136)
Total comprehensive income	—	—	64,522	—	(12,835)	(239)	520	(582)	(13,136)	51,386	(8)	51,378
Transactions with owners												
Contributions by and distributions to owners												
Issuance of common stock	—	—	—	—	—	—	—	—	—	—	—	—
Cash dividends paid	—	—	(6,060)	—	—	—	—	—	—	(6,060)	—	(6,060)
Reclassification from other components of equity to retained earnings	—	—	170	—	—	(170)	—	—	(170)	—	—	—
Purchase of treasury stock	—	—	—	—	—	—	—	—	—	—	—	—
Disposal of treasury stock associated with execution of stock options	—	(3,633)	—	3,829	—	—	—	—	—	196	—	196
Others	—	3,750	(54)	—	—	—	—	—	—	3,696	—	3,696
Total contributions by and distributions to owners	—	117	(5,944)	3,829	—	(170)	—	—	(170)	(2,168)	—	(2,168)

Changes in ownership interests in subsidiaries												
Issuance of common stock	―	―	―	―	―	―	―	―	―	―	147	147
Acquisitions and disposals of non-controlling interests	―	70	―	―	―	―	―	―	―	70	―	70
Others	―	―	―	―	―	―	―	―	―	―	1,103	1,103
Total changes in ownership interests in subsidiaries	―	70	―	―	―	―	―	―	―	70	1,250	1,320
Total transactions with owners	―	187	(5,944)	3,829	―	(170)	―	―	(170)	(2,098)	1,250	(848)
As of June 30, 2018	205,924	217,372	343,554	(99,787)	2,751	31,772	(144)	(4,079)	30,300	697,363	1,469	698,832

(4) Consolidated Statement of Cash Flows (Summary)

(Millions of Yen)

	Six months ended June 30, 2017 (January 1 to June 30, 2017)	Six months ended June 30, 2018 (January 1 to June 30, 2018)
Cash flows from operating activities		
Income before income tax	63,420	86,101
Depreciation and amortization	25,179	33,776
Other loss (income)	(6,157)	(42,416)
Decrease (Increase) in operating receivables	14,242	14,695
Decrease (Increase) in loans for credit card business	(32,669)	(44,392)
Increase (Decrease) in deposits for banking business	159,282	96,001
Net decrease (increase) in call loans for banking business	(10,000)	(5,000)
Decrease (Increase) in loans for banking business	(93,781)	(79,080)
Increase (Decrease) in operating payables	(27,007)	(11,435)
Decrease (Increase) in financial assets for securities business	(178,234)	104,199
Increase (Decrease) in financial liabilities for securities business	166,869	(138,005)
Others	(26,460)	(52,828)
Income tax paid	(7,400)	(11,362)
Net cash flows from (used in) operating activities	47,284	(49,746)
Cash flows from investing activities		
Increase in restricted deposits	(11,485)	(6)
Decrease in restricted deposits	11,487	4
Increase in time deposits	(6,669)	(7,029)
Decrease in time deposits	14,864	6,096
Purchase of property, plant and equipment	(25,191)	(10,348)
Purchase of intangible assets	(21,885)	(26,736)
Acquisition of subsidiaries	(5,092)	(10,596)
Proceeds from acquisition of subsidiaries	−	10,355
Acquisition of investments in associates and joint ventures	(12,446)	(876)
Purchase of investment securities for banking business	(151,137)	(164,319)
Proceeds from sales and redemption of investment securities for banking business	124,835	163,918
Purchase of investment securities for insurance business	(11,137)	(13,111)
Proceeds from sales and redemption of investment securities for insurance business	7,526	22,444
Purchase of investment securities	(30,658)	(6,273)
Proceeds from sales and redemption of investment securities	7,047	9,077
Other payments	(8,015)	(4,764)
Other proceeds	2,037	3,579
Net cash flows from (used in) investing activities	(115,919)	(28,585)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	38,012	48,798
Increase (Decrease) in commercial papers	49,000	29,000
Proceeds from long-term debt	122,118	179,976
Repayment of long-term debt	(105,159)	(133,668)
Proceeds from issuance of bonds	99,541	−
Redemption of bonds	(30,150)	(150)
Cash dividends paid	(6,416)	(6,053)
Purchase of treasury stock	(57,177)	−
Others	(1,151)	(1,567)
Net cash flows from financing activities	108,618	116,336
Effect of change in exchange rates on cash and cash equivalents	782	(1,288)

(Millions of Yen)

	Six months ended June 30, 2017 (January 1 to June 30, 2017)	Six months ended June 30, 2018 (January 1 to June 30, 2018)
Net increase (decrease) in cash and cash equivalents	40,765	36,717
Cash and cash equivalents at the beginning of the year	548,269	700,881
Cash and cash equivalents at the end of the period	589,034	737,598

(5) Assumptions for going concern

No items to report

(6) Notes to the summary of consolidated financial statements for the six months ended June 30, 2018

Basis of preparation

The Rakuten Group's summary of consolidated financial statements for the six months ended June 30, 2018 meets the requirements set out under Article 1-2 of the Rules on Terminology, Formats and Compilation Methods of Quarterly Consolidated Financial Statements (Cabinet Office Ordinance No. 64 of 2007; hereinafter referred to as the "Rules on Quarterly Consolidated Financial Statements") under which the Rakuten Group is qualified as a "Specified Company under the Designated International Accounting Standards" and duly prepares such summary in accordance with IAS 34 "Interim Financial Reporting," under the provision of Article 93 of the Rules on Quarterly Consolidated Financial Statements. As this summary does not contain all the information required in annual consolidated statements, it ought to be used in combination with the consolidated financial statements for the fiscal year ended December 31, 2017.

Significant accounting policies

Significant accounting policies adopted by the Rakuten Group in this summary of consolidated financial statements for the six months ended June 30, 2018 basically remain the same as those adopted in the consolidated financial statements for the previous fiscal year, except for the items below. In addition, income tax expenses for the six months ended June 30, 2018 is calculated based upon estimated annual effective tax rate.

Adoption of IFRS 9 (2014)

While the Rakuten Group has until now adopted IFRS 9 (2010), it now adopts IFRS 9 (2014) as of the first quarter ended March 31, 2018.

IFRS		Description of the revision
IFRS 9	Financial instruments	Revisions concerning the classification, measurement and impairment of financial assets and hedge accounting

Accordingly, revisions are made to provisions regarding (1) classification and measurement of financial assets, (2) impairment of financial assets, (3) hedge accounting. Specific detail of the revision in each category and their financial impacts are as follows.

The Rakuten Group applies the revised provisions of IFRS 9, pursuant to the relevant transitional arrangements, thereby recognizing the cumulative effects of the adoption in the form of adjustments to retained earnings for the current fiscal year, and other components of equity at the beginning of the current fiscal year.

(1) Classification and measurement of financial assets

Following the revision of IFRS 9, a classification was newly established in which debt instruments are subjected to subsequent measurement of fair value through other comprehensive income. The Group evaluates the business model involving the holding of such financial instruments at the beginning of the current fiscal year, along with the terms of contract involved therein, whereby the financial instruments are, insofar as they meet the following criteria, subjected to subsequent measurement of fair value through other comprehensive income.

・If the financial instruments are held for the purpose of both the contractual collection and eventual sale of cash flows, under the business model of the Rakuten Group.

・If the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

As a result, part of debt instruments subjected to subsequent measurement at amortized costs and the debt instruments subjected to subsequent measurement at fair value through net income prior to the adoption of IFRS 9 (2014) were reclassified, so that they are now subjected to subsequent measurement at fair value through other comprehensive income.

Accordingly, compared with the case where the previous accounting standards would be applied, investment securities for banking business, investment securities for insurance business, deferred tax liabilities, and other components of equity increased by ¥14 million, ¥349 million, ¥105 million, and ¥258 million, respectively, at the beginning of the current fiscal year.

(2) Impairment of financial assets

The Rakuten Group applies the provisions of IFRS 9 concerning the impairment of financial assets as follows.

As for financial assets measured at amortized costs, and debt instruments measured at fair value through other comprehensive income, the Rakuten Group calculates the amount of allowance for doubtful accounts based on the estimated credit loss arising from the possible defaults during the 12 months after the end of the fiscal year (estimated credit loss for the 12 months), if the credit risk associated with the financial instruments has not significantly increased in the period between its initial recognition and the fiscal year-end. In such cases specifically, the amount of allowance for doubtful accounts associated with financial instruments is collectively calculated by forecasting the estimated credit loss for the next 12 months, based on available rational data for predictive analysis, such as the historical loan loss ratio and published default rate. On the other hand, if the credit risk associated with the financial instruments has significantly increased in the period between its initial recognition and the fiscal year-end, allowance for doubtful accounts is calculated based on the estimated credit loss arising from all possible defaults over the estimated remaining period of the financial instruments (estimated credit loss over the entire period). In such cases specifically, the amount of allowance for doubtful accounts associated with financial instruments is individually calculated by forecasting the estimated credit loss associated with the collection of said financial instruments for the entire period, based on available rational data for predictive analysis, such as the historical loan loss ratio, future collectible amount and published default rate.

Notwithstanding the above, however, with respect to operating receivables and contractual assets that do not contain critical financial elements, such as accounts receivables – trade (hereinafter the “operating receivables, etc.”), the amount of allowance for doubtful accounts is invariably calculated based on the estimated credit loss over the entire period. As a general rule, estimated credit loss is collectively measured in consideration of available rational data for predictive analysis, such as the historical loan loss ratio, based on the operating receivables, etc. grouped by type of attribute of clients.

For financial assets with overdue periods of a certain threshold, those considered to pose significant concern for recoverability due to factors such as serious financial distress at the obligor shall be deemed to be credit-impaired.

Accordingly, compared with the case where the previous accounting standards would be applied, allowance for doubtful accounts increased by ¥50,679 million, while retained earnings decreased by ¥35,421 million and other components of equity increased by ¥57 million at the beginning of the current fiscal year. Also compared with the case where the previous accounting standards would be applied, operating revenue increased by ¥99 million, while operating expenses decreased by ¥2,992 million and net income increased by ¥2,139 million in the six months ended June 30, 2018.

Adjustments to the allowance for doubtful accounts as at December 31, 2017 and that at the beginning of the current fiscal year were as follows.

(Millions of yen)

	Financial assets measured at amortized costs	Debt instruments measured at fair value through other comprehensive income
Allowance for doubtful accounts as at December 31, 2017 (calculated based on IFRS 9 before the revision)	42,202	48
Amount by retrospective restatement at the beginning of the current fiscal year.	50,727	34
Allowance for doubtful accounts at the beginning of the current fiscal year as at January 1, 2018 (calculated based on IFRS 9)	92,929	82

Note: Debt instruments measured at fair value through other comprehensive income have been reclassified, at the beginning of the current fiscal year, from the financial assets measured at amortized costs, as well as the financial assets measured at fair value through net income.

(3) Hedge accounting

The Rakuten Group, pursuant to the provisions of hedge accounting under IFRS 9, treats items that qualify for hedge accounting not only under IAS 39 “Financial Instruments: Recognition and Measurement,” but also under IFRS 9 as continuous hedging relationships.

Significant accounting estimates and judgments

Preparation of the summary of consolidated financial statements under IFRS for the three months ended June 30, 2018 involves accounting estimates in respect of certain significant matters. Meanwhile, in the process of adopting accounting policies, management of the Rakuten Group is required to make its own judgments. The result of accounting estimation by its nature could be different from the actual outcome.

Accounting estimates and accounting assumptions are subject to continuous review. Effects of changes in accounting estimates are recognized in the fiscal year in which such changes take place as well as fiscal years that follow.

Estimates and judgments that have significant impact on the amounts in this summary of consolidated financial statements for the three months ended June 30, 2018 remain the same as those that had significant impact on the amounts in the consolidated financial statements for the previous fiscal year, excluding the case below.

Impairment of debt instruments measured at fair value through amortized costs and other comprehensive income

The Rakuten Group recognizes the estimated credit loss in respect of financial assets measured at amortized costs and debt instruments measured at fair value through other comprehensive income, at the present value of the difference between the future contractual cash flows to be received, and the future contractual cash flows expected to be received.

Estimation of the future cash flows is carried out in consideration of factors including the possibility of default, the historical trend concerning the amount of credit loss, and reasonably expected future events. Since these accounting estimates and accounting assumptions may, if the preconditions involved therein vary, make a significant difference to the amount of impairment loss of the debt instruments measured at fair value through amortized costs and other comprehensive income, the Rakuten Group believes that such estimations are significant.

Rakuten

Segment information

1. General Information

As a Global Innovation Company engaged in the two main activities of Internet Services and FinTech, the Group Companies are organized into two reportable segments: "Internet Services" and "FinTech".

Discrete financial information for operating results of all operating segments is available, and is regularly reviewed by the Board of Directors of the Group Companies in order to determine the allocation of resources and assess performance.

The “Internet Services” segment comprises businesses running various EC (e-commerce) sites including internet shopping mall Rakuten Ichiba, online cash-back sites, travel booking sites, portal sites and digital content sites, along with businesses providing advertising etc. on these sites and messaging and communication services, as well as businesses running 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, and electronic money.

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

Operating segment information is reported in accordance with IFRS as stated in significant accounting policies. 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 has been Non-GAAP operating income—operating income in accordance with IFRS adjusted for unusual items and other adjustment items prescribed by the Rakuten Group.

The 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 the 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 Rakuten believes shall be excluded for the purposes of preparing a future outlook based on certain rules. Other adjustment items are those that tend to differ depending on the standards applied, and are therefore less comparable between companies, such as stock-based compensation expenses and amortization of acquisition-related intangible assets.

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

Six months ended June 30, 2017 (January 1 to June 30, 2017)

(Millions of Yen)

	Internet Services	FinTech	Total
Segment Revenue	312,334	160,044	472,378
Segment Profit (Loss)	41,542	35,252	76,794

Six months ended June 30, 2018 (January 1 to June 30, 2018)

(Millions of Yen)

	Internet Services	FinTech	Total
Segment Revenue	362,482	195,253	557,735
Segment Profit (Loss)	53,513	44,544	98,057

Note: As stated in “Significant accounting policies,” the Rakuten Group adopted IFRS 9 (2014) in the first quarter ended March 31, 2018. As a result, segment profit/loss for the Internet Service segment was ¥0, while revenue and for the FinTech segment increased by ¥99 million and segment profit by ¥3,091 million, compared with the case where previous accounting standards would be applied.

Three months ended June 30, 2017 (April 1 to June 30, 2017)

(Millions of Yen)

	Internet Services	FinTech	Total
Segment Revenue	163,248	82,084	245,332
Segment Profit (Loss)	14,994	18,220	33,214

Three months ended June 30, 2018 (April 1 to June 30, 2018)

(Millions of Yen)

	Internet Services	FinTech	Total
Segment Revenue	189,029	105,239	294,268
Segment Profit (Loss)	38,886	23,953	62,839

Reconciliation from Segment Revenue to Consolidated Revenue

(Millions of Yen)

	Six months ended June 30, 2017 (January 1 to June 30, 2017)	Six months ended June 30, 2018 (January 1 to June 30, 2018)
Segment Revenue	472,378	557,735
Intercompany transactions, etc.	(32,288)	(45,574)
Consolidated Revenue	440,090	512,161

(Millions of Yen)

	Three months ended June 30, 2017 (April 1 to June 30, 2017)	Three months ended June 30, 2018 (April 1 to June 30, 2018)
Segment Revenue	245,332	294,268
Intercompany transactions, etc.	(17,319)	(23,978)
Consolidated Revenue	228,013	270,290

Reconciliation from Segment Profit to Income Before Income Tax

(Millions of Yen)

	Six months ended June 30, 2017 (January 1 to June 30, 2017)	Six months ended June 30, 2018 (January 1 to June 30, 2018)
Segment Profit	76,794	98,057
Intercompany transactions, etc.	(1,053)	(7,821)
Non-GAAP Operating Income	75,741	90,236
Amortization of Intangible Assets (PPA)	(3,552)	(4,422)
Stock Based Compensation	(3,573)	(3,792)
One-off Items	—	7,648
Operating income	68,616	89,670
Financial income and expenses	(1,571)	(1,543)
Share of income (loss) of associates and joint ventures	(3,625)	(2,026)
Income before income tax*	63,420	86,101

(Millions of Yen)

	Three months ended June 30, 2017 (April 1 to June 30, 2017)	Three months ended June 30, 2018 (April 1 to June 30, 2018)
Segment Profit	33,214	62,839
Intercompany transactions, etc.	(1,324)	(4,446)
Non-GAAP Operating Income	31,890	58,393
Amortization of Intangible Assets (PPA)	(1,994)	(2,668)
Stock Based Compensation	(1,696)	(1,801)
One-off Items	—	7,648
Operating income	28,200	61,572
Financial income and expenses	(870)	(794)
Share of loss of associates and joint ventures	(2,124)	(599)
Income before income tax*	25,206	60,179

Breakdown of Operating Expenses

(Millions of Yen)

	Six months ended June 30, 2017 (January 1 to June 30, 2017)	Six months ended June 30, 2018 (January 1 to June 30, 2018)
Advertising and promotion expenditures	66,029	87,333
Employee benefits expenses	78,468	84,993
Depreciation and amortization	25,179	33,776
Communication and maintenance expenses	10,794	12,886
Consignment and subcontract expenses	21,475	25,857
Allowance for doubtful accounts charged to expenses	13,548	17,508
Cost of sales of merchandise and service revenue	103,022	122,744
Interest expense for finance business	2,636	3,355
Commission expense for finance business	4,799	5,248
Insurance claims and other payments, and provision of policy reserves and others for insurance business	7,051	13,048
Others	53,726	61,888
Total	386,727	468,636

(Millions of Yen)

	Three months ended June 30, 2017 (April 1 to June 30, 2017)	Three months ended June 30, 2018 (April 1 to June 30, 2018)
Advertising and promotion expenditures	33,855	46,251
Employee benefits expenses	39,463	43,850
Depreciation and amortization	13,232	19,233
Communication and maintenance expenses	5,465	6,692
Consignment and subcontract expenses	11,072	13,667
Allowance for doubtful accounts charged to expenses	7,142	8,854
Cost of sales of merchandise and service revenue	54,628	63,388
Interest expense for finance business	1,372	1,815
Commission expense for finance business	2,450	2,688
Insurance claims and other payments, and provision of policy reserves and others for insurance business	3,392	9,832
Others	27,043	32,362
Total	199,114	248,632

Notes on significant subsequent events

No items to report