

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, 2016

Rakuten, Inc.
August 4, 2016

Company name	Rakuten, Inc.	Listed	Tokyo Stock Exchange
Code No	4755	URL	http://www.rakuten.co.jp/
Representative (Title)	Chairman and CEO	(Name)	Hiroshi Mikitani
Contact person (Title)	CFO	(Name)	Yoshihisa Yamada
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, 2016 (January 1 – June 30, 2016)

(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, 2016	368,906	11.1	48,784	(11.8)	47,121	(12.9)	26,549	(4.2)
Six months ended June 30, 2015	332,006	20.0	55,289	23.5	54,084	23.6	27,714	18.7

	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, 2016	26,568	(4.3)	(44,324)	—	18.65	18.54
Six months ended June 30, 2015	27,772	20.3	46,948	155.2	20.97	20.79

(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, 2016	4,206,109	611,681	610,690	14.5
As of December 31, 2015	4,269,953	664,013	662,044	15.5

2. Dividend Distribution

	Annual dividend per share				
	Q1	Q2	Q3	Annual	Total
	Yen	Yen	Yen	Yen	Yen
FY2015	—	0.00	—	4.50	4.50
FY2016	—	0.00			
FY2016 (Forecast)			—	—	—

Note: Dividend per share for FY2016 is not yet decided, and there are no changes to this previously disclosed dividend forecast.

3. Estimate of Consolidated Operating Results for Fiscal 2016 (January 1 to December 31, 2016)

For the estimate of consolidated operating results for Fiscal 2016, double-digit growth from Fiscal 2015 is targeted for consolidated revenue excluding the securities business whose results are impacted by stock market.

	Revenue	Non-GAAP Operating Income
	Millions of Yen	Millions of Yen
FY2015 (Actual)	713,555	152,153

For details, see page P. 8 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: 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)
1,431,814,300 shares (As of June 30, 2016)
1,430,373,900 shares (As of December 31, 2015)
2. Number of treasury stocks at the end of the period
6,008,788 shares (As of June 30, 2016)
6,008,788 shares (As of December 31, 2015)
3. Average number of shares during the period (cumulative from the beginning of the year)
1,424,919,161 shares (January 1 – June 30, 2016)
1,324,142,762 shares (January 1 – June 30, 2015)

Indication regarding execution of review procedures

This quarterly financial report is not intended for quarterly review based on the Financial Instruments and Exchange Act. At the time of disclosure of this quarterly financial results report, the review procedures for quarterly consolidated financial statements in accordance with the Financial Instruments and Exchange Act are not completed.

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

Consolidated forecasts for the year ending December 31, 2016 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 is disclosing consolidated business results in terms of both its internal measures 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 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 purpose of preparing future outlook based on certain rules. Other adjustment items are those that tend to differ depending on the standards applied, therefore less comparable between companies, such as stock based compensation expense and amortization of acquisition-related intangible assets.

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

i) Business Results for the Six Months ended June 30, 2016 (Non-GAAP basis)

The world economy during the six months ended June 30, 2016 (January 1 to June 30, 2016) continued to stay on a gradual recovery track, although attention must be paid to factors including normalization of the U.S. monetary policy and the impact of the UK’s decision to leave the EU. Meanwhile, the Japanese economy, despite sluggishness in some areas, continued a gradual recovery, amid the continuous improvement trends in the wage and employment condition.

Under such an environment, the Rakuten Group has further promoted growth action programs in line with its medium-term strategy “Vision 2020” announced in February 2016. In domestic e-commerce services, the mainstay of Internet Services, the Rakuten Group is making every effort towards further revenue growth by implementing various measures. These include programs with the aim of improving customer satisfaction, aggressive sales activities, and strategies to enhance services for smart devices (smartphones and tablet devices) and to open up the Rakuten Ecosystem. Results are on track for improvement in overseas internet services, thanks in large part to a contribution from the steady growth in the U.S. subsidiary Ebates Inc. (“Ebates”). In the FinTech segment, further expansion of the membership base for the Rakuten Card brought in more commission income while there was solid growth in Rakuten Bank services. These contributed to a solid increase in both revenue and profit, except for the securities services suffering from a slump in the stock market.

As a result, the Rakuten Group achieved revenue of ¥368,906 million, up 11.1% year-on-year, for the six months ended June 30, 2016. However, chiefly affected by increased expenses due to aggressive sales activities and the deteriorating stock market, Non-GAAP operating income fell by 7.3% year-on-year to ¥58,378 million.

(Non-GAAP)

(Millions of yen)

	Six months ended June 30, 2015	Six months ended June 30, 2016	Amount Change YoY	% Change YoY
Revenue	332,006	368,906	36,900	11.1%
Non-GAAP Operating Income	63,002	58,378	(4,624)	(7.3%)

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

For the six months ended June 30, 2016, amortization of intangible assets of ¥4,051 million and stock based compensation expense of ¥3,501 million were deducted for Non-GAAP operating income. Meanwhile, expenses associated with the strategic review of European business of ¥2,042 million have been recorded as a one-off item. One-off items of ¥1,153 million in the same period of the previous fiscal year was recorded as expense related to the relocation of head office.

(Millions of yen)

	Six months ended June 30, 2015	Six months ended June 30, 2016	Amount Change YoY
Non-GAAP operating income	63,002	58,378	(4,624)
Amortization of intangible assets (PPA)	(3,773)	(4,051)	(278)
Stock based compensation	(2,787)	(3,501)	(714)
One-off items	(1,153)	(2,042)	(889)
Operating Income	55,289	48,784	(6,505)

iii) Business Results for the Six months ended June 30, 2016 (IFRS basis)

The Rakuten Group recorded revenue of ¥368,906 million, up 11.1% year-on-year, IFRS operating income of ¥48,784 million, down 11.8% year-on-year, and net income attributable to owners of the parent company of ¥26,568 million, down 4.3% year-on-year, for the six months ended June 30, 2016.

(IFRS)

(Millions of yen)

	Six months ended June 30, 2015	Six months ended June 30, 2016	Amount Change YoY	% Change YoY
Revenue	332,006	368,906	36,900	11.1%
Operating income	55,289	48,784	(6,505)	(11.8%)
Net income attributable to owners of the parent company	27,772	26,568	(1,204)	(4.3%)

iv) Segment Information

Business results for each segment are as follows. In terms of the IFRS management approach, segment profit or loss are presented on a Non-GAAP operating income basis.

Internet Services

In the Internet Services segment for the six months ended June 30, 2016, the Rakuten Group actively worked on various initiatives to pursue further revenue growth in its core domestic e-commerce services. To this end, it has specifically conducted aggressive sales activities with the aim of winning new users and developing the long-term loyal-customer base, some initiatives targeting greater customer satisfaction, strategies to enhance services for smart devices and to open up the Rakuten Ecosystem. As a result, while sales expenses increased, domestic e-commerce services revenue was robust with a 7.6% year-on-year increase. In overseas e-commerce services, Ebates contributed significantly to the growth of performance. For contents services, contribution by OverDrive Holdings, Inc. ("OverDrive"), which became a subsidiary in April 2015, led to improvement in performance of the global electronic book business.

As a result, revenue for the segment rose to ¥227,629 million, a 14.4% year-on-year increase, while segment profit stood at ¥29,505 million, a 17.8% year-on-year decrease.

(Millions of yen)

	Six months ended June 30, 2015	Six months ended June 30, 2016	Amount Change YoY	% Change YoY
Segment Revenue	198,907	227,629	28,722	14.4%
Segment Profit	35,890	29,505	(6,385)	(17.8%)

FinTech

In the FinTech segment for the six months ended June 30, 2016, shopping transaction value grew by 21.1% year-on-year in credit card related services due to a growth in Rakuten Card membership. Moreover, solid growth in revolving balances resulted in a rise in income including commission income. In banking services, profits continued to grow despite the backdrop of negative interest rate policy due to an increase in interest income from loans with expanding loan balances and the effect of improvement in cost efficiency. In the securities services, the negative impact of volatile market conditions markedly weighed down its revenue and profits from their levels in the same period of the previous fiscal year.

As a result, the FinTech segment recorded ¥145,745 million in revenue, a 7.9% year-on-year increase, while segment profit stood at ¥33,640 million, a 2.6% increase year-on-year.

(Millions of yen)

	Six months ended June 30, 2015	Six months ended June 30, 2016	Amount Change YoY	% Change YoY
Segment Revenue	135,036	145,745	10,709	7.9%
Segment Profit	32,799	33,640	841	2.6%

Others

As for other segments for the six months ended June 30, 2016, thanks to its full-scale aggressive sales activities commenced during the three months ended March 31, 2015, Rakuten Mobile, which provides MVNO (Mobile Virtual Network Operator) services, substantially increased revenue. At VIBER MEDIA LTD. ("Viber"), a messaging and VoIP services provider, strategic investments for its future growth continued and consistent growth was seen in the number of user IDs. In professional sports division, revenue increased at a solid pace compared with the same period of the previous fiscal year, due primarily to the record high sales of seats reserved for the full season for the Tohoku Rakuten Golden Eagles, along with the robust sales of advertising sponsorship for the Vissel Kobe.

As a result, revenue for the segment was ¥31,161 million, a 32.9% year-on-year increase, while segment loss was ¥3,868 million (compared with segment loss of ¥3,527 million for the same period of the previous fiscal year).

(Millions of yen)

	Six months ended June 30, 2015	Six months ended June 30, 2016	Amount Change YoY	% Change YoY
Segment Revenue	23,441	31,161	7,720	32.9%
Segment Profit (Loss)	(3,527)	(3,868)	(341)	-%

(2) Analysis Concerning Financial Position

i) Assets, Liabilities, and Net Assets

Assets

Total assets at June 30, 2016 amounted to ¥4,206,109 million, a decrease of ¥63,844 million from ¥4,269,953 million at the end of the previous fiscal year. The primary factors were a ¥61,465 million increase in loans for banking business, a ¥53,717 million increase in cash and cash equivalents, which was offset by a ¥87,420 million decrease in financial assets for securities business, a ¥64,262 million decrease in investment securities for banking business, and a ¥44,847 million decrease in intangible assets due to fluctuations in the foreign exchange rates.

Liabilities

Total liabilities at June 30, 2016 amounted to ¥3,594,428 million, a decrease of ¥11,512 million from ¥3,605,940 million at the end of the previous fiscal year. The primary factors were increase of ¥84,245 million in bonds and borrowings due to issuance of bonds, which were offset by decreases of ¥56,532 million in financial liabilities for securities business, ¥29,215 million in accounts payable-trade and ¥10,949 million in other financial liabilities.

Equity

Equity at June 30, 2016 was ¥611,681 million, a decrease of ¥52,332 million from ¥664,013 million at the end of the previous fiscal year. The primary factors were the recognition of a ¥26,568 million of net income attributable to owners of the parent company, which was offset by a ¥74,516 million decrease in other components of equity resulting from fluctuations in the foreign exchange rates.

ii) Cash Flows

Cash and cash equivalents at June 30, 2016 was ¥554,746 million, an increase of ¥53,717 million from the end of the previous fiscal year. Among these, deposit with the Bank of Japan for banking business was ¥382,740 million, an increase of ¥34,666 million from the end of the previous fiscal year. Cash flow conditions and their major factors for the six months ended June 30, 2016 are as follows.

Net cash flows from operating activities

Net cash flows from operating activities for the six months ended June 30, 2016 resulted in a cash outflow of ¥21,722 million (compared with a cash inflow of ¥80,589 million for the same period of previous fiscal year). Primary factors included cash inflow of ¥47,121 million for income before income tax, and net proceeds of ¥30,827 million from fluctuations of financial assets and liabilities for securities business (a cash inflow of ¥86,144 million for decrease in financial assets and a cash outflow of ¥55,317 million for decrease in financial liabilities), which was offset by cash outflow of ¥61,464 million for an increase in loans for banking business, and a cash outflow of ¥48,564 million for 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, 2016 resulted in a cash inflow of ¥8,647 million (compared with a cash outflow of ¥117,672 million for the same period of previous fiscal year). Primary factors included cash outflow of ¥20,285 million for purchase of intangible assets including software, cash outflow of ¥17,615 million for purchase of investments in associates and joint ventures and cash outflow of ¥15,013 million for acquisition of subsidiaries, which were offset by net proceeds of ¥62,971 million for purchase and sales of investment securities for banking business (a cash inflow of ¥212,435 million from sales and redemption of investment securities and a cash outflow of ¥149,464 million for purchase of investment securities).

Net cash flows from financing activities

Net cash flows from financing activities for the six months ended June 30, 2016 resulted in a cash inflow of ¥73,550 million (compared with a cash inflow of ¥314,048 million for the same period of

previous fiscal year). Primary factors included cash outflow of ¥49,808 million for repayment of long-term debt, which was offset by cash inflow of ¥99,500 million from long-term debt and cash inflow of ¥39,796 million from issuance of bonds.

(3) Qualitative Information about Consolidated Business Forecasts

For the forecast of consolidated operating results for Fiscal 2016, the Rakuten Group aims at double-digit growth from the previous fiscal year for consolidated revenue, excluding that from the securities business whose results are impacted by the stock market.

		Revenue	Non-GAAP Operating Income
		Millions of Yen	Millions of Yen
FY2015	(Actual)	713,555	152,153

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

Internet Services

In line with the global expansion of the e-commerce market, the Group's domestic e-commerce services will keep making upfront investments for improving customer satisfaction so as to accelerate growth of medium-term gross transaction value as well as revenue.

Revenue is expected to increase thanks to factors including further growth of Ebates for overseas e-commerce services and OverDrive for contents services, and we will aim for an improvement in operating income and loss related to such items.

FinTech

In credit card related services, we will strengthen the marketing initiatives aimed at expansion of market share and promotion of group synergy, and strive to achieve further growth of shopping transaction value. In banking services, solid profit is expected in line with an increase in assets. Meanwhile, it is difficult to make a forecast for securities services due to the substantial impact of stock market conditions.

Others

Rakuten will continue to make strategic investments for future growth in MVNO service "Rakuten Mobile," messaging and VoIP service "Viber," etc. As a result, increase in revenue is expected.

2. Matters regarding summary information (Others)**(1) Changes in significant subsidiaries during the current period**

No items to report

(2) Outline of changes in accounting policies and accounting estimates

Significant accounting policies adopted by the Rakuten Group in this summary of consolidated financial statements for the six months ended June 30, 2016 basically remain the same as those adopted in the consolidated financial statements for the previous fiscal year. In addition, income tax expense for the six months ended June 30, 2016 is calculated based upon estimated annual effective tax rate.

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

	(Millions of Yen)	
	As of December 31, 2015	As of June 30, 2016
Assets		
Cash and cash equivalents	501,029	554,746
Accounts receivable - trade	104,011	85,546
Financial assets for securities business	1,109,299	1,021,879
Loans for credit card business	833,820	882,052
Investment securities for banking business	257,769	193,507
Loans for banking business	444,044	505,509
Investment securities for insurance business	15,308	15,225
Derivative assets	21,312	24,103
Investment securities	151,237	130,547
Other financial assets	161,640	136,499
Investments in associates and joint ventures	16,912	38,665
Property, plant and equipment	48,442	49,762
Intangible assets	514,752	469,905
Deferred tax assets	28,252	25,622
Other assets	62,126	72,542
Total assets	4,269,953	4,206,109

(Millions of Yen)

	As of December 31, 2015	As of June 30, 2016
Liabilities		
Accounts payable - trade	162,606	133,391
Deposits for banking business	1,366,784	1,376,101
Financial liabilities for securities business	987,244	930,712
Derivative liabilities	10,623	6,785
Bonds and borrowings	649,195	733,440
Other financial liabilities	268,448	257,499
Income taxes payable	24,718	17,304
Provisions	54,129	56,880
Policy reserves and others for insurance business	21,635	23,019
Deferred tax liabilities	20,417	19,001
Other liabilities	40,141	40,296
Total liabilities	3,605,940	3,594,428
Equity		
Equity attributable to owners of the parent company		
Common stock	203,588	204,244
Capital surplus	208,677	208,865
Retained earnings	176,834	199,152
Treasury stock	(3,627)	(3,627)
Other components of equity	76,572	2,056
Total equity attributable to owners of the parent company	662,044	610,690
Non-controlling interests	1,969	991
Total equity	664,013	611,681
Total liabilities and equity	4,269,953	4,206,109

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

Consolidated Statement of Income (Summary)

(For the six months ended June 30, 2015 and 2016)

(Millions of yen)

	Six months ended June 30, 2015 (January 1 to June 30, 2015)	Six months ended June 30, 2016 (January 1 to June 30, 2016)
Continuing Operations		
Revenue	332,006	368,906
Operating expenses	277,377	319,456
Other income	2,382	3,511
Other expenses	1,722	4,177
Operating income	55,289	48,784
Financial income	81	112
Financial expenses	1,956	1,925
Share of income of associates and joint ventures	670	150
Income before income tax	54,084	47,121
Income tax expense	26,370	20,572
Net income	27,714	26,549
Net income attributable to:		
Owners of the parent company	27,772	26,568
Non-controlling interests	(58)	(19)
Net income	27,714	26,549
(Yen)		
Earnings per share attributable to owners of the parent company		
Basic	20.97	18.65
Diluted	20.79	18.54

Consolidated Statement of Income (Summary)
(For the three months ended June 30, 2015 and 2016)

(Millions of yen)

	Three months ended June 30, 2015 (April 1 to June 30, 2015)	Three months ended June 30, 2016 (April 1 to June 30, 2016)
Continuing Operations		
Revenue	173,187	188,606
Operating expenses	145,936	161,391
Other income	219	1,806
Other expenses	1,221	3,171
Operating income	26,249	25,850
Financial income	58	74
Financial expenses	1,103	975
Share of income (loss) of associates and joint ventures	72	(49)
Income before income tax	25,276	24,900
Income tax expense	11,852	10,100
Net income	13,424	14,800
Net income attributable to:		
Owners of the parent company	13,577	14,823
Non-controlling interests	(153)	(23)
Net income	13,424	14,800
(Yen)		
Earnings per share attributable to owners of the parent company		
Basic	10.24	10.40
Diluted	10.16	10.34

Consolidated Statement of Comprehensive Income (Summary)
(For the six months ended June 30, 2015 and 2016)

(Millions of yen)

	Six months ended June 30, 2015 (January 1 to June 30, 2015)	Six months ended June 30, 2016 (January 1 to June 30, 2016)
Net income	27,714	26,549
Other comprehensive income		
Items that will not be reclassified to net income		
Gains (losses) on financial assets measured at fair value through other comprehensive income	22,791	(2,742)
Income tax effect of gains and losses on financial assets measured at fair value through other comprehensive income	(4,734)	(128)
Share of other comprehensive income of associates and joint ventures	13	5
Total items that will not be reclassified to net income	18,070	(2,865)
Items that will be reclassified to net income		
Foreign currency translation adjustments	1,267	(67,548)
Gains (losses) on cash flow hedges recognized in other comprehensive income	(216)	(442)
Income tax effect of gains or losses on cash flow hedges recognized in other comprehensive income	49	129
Gains (losses) on cash flow hedges reclassified from other comprehensive income to net income	197	215
Income tax effect of gains or losses on cash flow hedges reclassified from other comprehensive income to net income	(70)	(65)
Share of other comprehensive income of associates and joint ventures	(63)	(297)
Total items that will be reclassified to net income	1,164	(68,008)
Other comprehensive income, net of tax	19,234	(70,873)
Comprehensive income	46,948	(44,324)
Comprehensive income attributable to:		
Owners of the parent company	47,005	(44,310)
Non-controlling interests	(57)	(14)
Comprehensive income	46,948	(44,324)

Consolidated Statement of Comprehensive Income (Summary)
(For the three months ended June 30, 2015 and 2016)

(Millions of yen)

	Three months ended June 30, 2015 (April 1 to June 30, 2015)	Three months ended June 30, 2016 (April 1 to June 30, 2016)
Net income	13,424	14,800
Other comprehensive income		
Items that will not be reclassified to net income		
Gains (losses) on financial assets measured at fair value through other comprehensive income	22,830	(3,878)
Income tax effect of gains and losses on financial assets measured at fair value through other comprehensive income	(4,893)	836
Share of other comprehensive income of associates and joint ventures	2	6
Total items that will not be reclassified to net income	17,939	(3,036)
Items that will be reclassified to net income		
Foreign currency translation adjustments	11,551	(38,593)
Gains (losses) on cash flow hedges recognized in other comprehensive income	(126)	(20)
Income tax effect of gains or losses on cash flow hedges recognized in other comprehensive income	45	12
Gains (losses) on cash flow hedges reclassified from other comprehensive income to net income	106	121
Income tax effect of gains or losses on cash flow hedges reclassified from other comprehensive income to net income	(38)	(36)
Share of other comprehensive income of associates and joint ventures	(63)	(227)
Total items that will be reclassified to net income	11,475	(38,743)
Other comprehensive income, net of tax	29,414	(41,779)
Comprehensive income	42,838	(26,979)
Comprehensive income attributable to:		
Owners of the parent company	42,990	(26,959)
Non-controlling interests	(152)	(20)
Comprehensive income	42,838	(26,979)

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

(Millions of yen)

	Other components of equity							Total equity attributable to owners of the parent company	Non-controlling interests	Total equity	
	Common stock	Capital surplus	Retained earnings	Treasury stock	Foreign currency translation adjustments	Financial instruments measured at fair value through other comprehensive income	Cash flow hedges				Total other components of equity
As of January 1, 2015	111,602	118,528	124,796	(3,649)	51,354	19,453	(522)	70,285	421,562	6,524	428,086
Cumulative effects of changes in accounting policies	—	—	13,244	—	—	—	—	—	13,244	103	13,347
Adjusted balance	111,602	118,528	138,040	(3,649)	51,354	19,453	(522)	70,285	434,806	6,627	441,433
Comprehensive income											
Net income	—	—	27,772	—	—	—	—	—	27,772	(58)	27,714
Other comprehensive income, net of tax	—	—	—	—	1,204	18,069	(40)	19,233	19,233	1	19,234
Total comprehensive income	—	—	27,772	—	1,204	18,069	(40)	19,233	47,005	(57)	46,948
Transactions with owners											
Contributions by and distributions to owners											
Issuance of common stock	91,803	91,803	—	—	—	—	—	—	183,606	—	183,606
Direct expenses related to issuance of common stock	—	(751)	—	—	—	—	—	—	(751)	—	(751)
Cash dividends paid	—	—	(5,952)	—	—	—	—	—	(5,952)	—	(5,952)
Reclassification from other components of equity to retained earnings	—	—	(40)	—	—	40	—	40	—	—	—
Others	—	1,542	(211)	(1)	—	—	—	—	1,330	—	1,330
Total contributions by and distributions to owners	91,803	92,594	(6,203)	(1)	—	40	—	40	178,233	—	178,233
Changes in ownership interests in subsidiaries											
Issuance of common stock	—	—	—	—	—	—	—	—	—	17	17
Acquisitions and disposals of non-controlling interests	—	(3,861)	—	—	—	—	—	—	(3,861)	(1,560)	(5,421)
Others	—	(25)	—	—	—	—	—	—	(25)	(2,800)	(2,825)
Total changes in ownership interests in subsidiaries	—	(3,886)	—	—	—	—	—	—	(3,886)	(4,343)	(8,229)
Total transactions with owners	91,803	88,708	(6,203)	(1)	—	40	—	40	174,347	(4,343)	170,004
As of June 30, 2015	203,405	207,236	159,609	(3,650)	52,558	37,562	(562)	89,558	656,158	2,227	658,385

(Millions of yen)

	Other components of equity										
	Common stock	Capital surplus	Retained earnings	Treasury stock	Foreign currency translation adjustments	Financial instruments measured at fair value through other comprehensive income	Cash flow hedges	Total other components of equity	Total equity attributable to owners of the parent company	Non-controlling interests	Total equity
As of January 1, 2016	203,588	208,677	176,834	(3,627)	40,477	36,581	(486)	76,572	662,044	1,969	664,013
Net income	—	—	26,568	—	—	—	—	—	26,568	(19)	26,549
Other comprehensive income net of tax	—	—	—	—	(67,851)	(2,865)	(162)	(70,878)	(70,878)	5	(70,873)
Total comprehensive income	—	—	26,568	—	(67,851)	(2,865)	(162)	(70,878)	(44,310)	(14)	(44,324)
Transactions with owners											
Contributions by and distributions to owners											
Issuance of common stock	656	657	—	—	—	—	—	—	1,313	—	1,313
Cash dividends paid	—	—	(6,410)	—	—	—	—	—	(6,410)	—	(6,410)
Reclassification from other components of equity to retained earnings	—	—	3,638	—	—	(3,638)	—	(3,638)	—	—	—
Others	—	1,819	(1,478)	—	—	—	—	—	341	—	341
Total contributions by and distributions to owners	656	2,476	(4,250)	—	—	(3,638)	—	(3,638)	(4,756)	—	(4,756)
Changes in ownership interests in subsidiaries											
Issuance of common stock	—	—	—	—	—	—	—	—	—	1	1
Acquisitions and disposals of non-controlling interests	—	(2,303)	—	—	—	—	—	—	(2,303)	(837)	(3,140)
Others	—	15	—	—	—	—	—	—	15	(128)	(113)
Total changes in ownership interests in subsidiaries	—	(2,288)	—	—	—	—	—	—	(2,288)	(964)	(3,252)
Total transactions with owners	656	188	(4,250)	—	—	(3,638)	—	(3,638)	(7,044)	(964)	(8,008)
As of June 30, 2016	204,244	208,865	199,152	(3,627)	(27,374)	30,078	(648)	2,056	610,690	991	611,681

(4) Consolidated Statement of Cash Flows (Summary)

(Millions of Yen)

	Six months ended June 30, 2015 (January 1 to June 30, 2015)	Six months ended June 30, 2016 (January 1 to June 30, 2016)
Cash flows from operating activities		
Income before income tax	54,084	47,121
Depreciation and amortization	19,108	21,858
Other loss (income)	2,426	6,760
Decrease (Increase) in operating receivables	8,811	13,091
Decrease (Increase) in loans for credit card business	(25,455)	(48,564)
Increase (Decrease) in deposits for banking business	140,059	9,317
Decrease (Increase) in call loans for banking business	15,000	13,000
Decrease (Increase) in loans for banking business	(61,501)	(61,464)
Increase (Decrease) in operating payables	(18,605)	(25,564)
Decrease (Increase) in financial assets for securities business	(161,087)	86,144
Increase (Decrease) in financial liabilities for securities business	154,844	(55,317)
Others	(17,195)	(1,694)
Income tax paid	(29,900)	(26,410)
Net cash flows from operating activities	80,589	(21,722)
Cash flows from investing activities		
Decrease in restricted deposits	5	12,624
Increase in time deposits	(10,396)	(10,244)
Decrease in time deposits	8,445	8,932
Purchase of property, plant and equipment	(7,287)	(7,086)
Purchase of intangible assets	(16,549)	(20,285)
Acquisition of subsidiaries	(54,782)	(15,013)
Acquisition of investments in associates and joint ventures	—	(17,615)
Purchase of investment securities for banking business	(158,082)	(149,464)
Proceeds from sales and redemption of investment securities for banking business	172,819	212,435
Purchase of investment securities for insurance business	(4,072)	(5,395)
Proceeds from sales and redemption of investment securities for insurance business	2,261	6,147
Purchase of investment securities	(49,360)	(11,496)
Proceeds from sales and redemption of investment securities	5,252	6,132
Other payments	(8,720)	(2,521)
Other proceeds	2,794	1,496
Net cash flows from investing activities	(117,672)	8,647
Cash flows from financing activities		
Proceeds from issuance of common stock	182,268	484
Net increase (decrease) in short-term borrowings	56,028	(7,106)
Increase (decrease) in commercial papers	47,500	2,000
Proceeds from long-term debt	77,952	99,500
Repayment of long-term debt	(33,611)	(49,808)
Income from bond issuance	—	39,796

(Millions of Yen)

	Six months ended June 30, 2015 (January 1 to June 30, 2015)	Six months ended June 30, 2016 (January 1 to June 30, 2016)
Cash dividends paid	(5,948)	(6,403)
Others	(10,141)	(4,913)
Net cash flows from financing activities	314,048	73,550
Effect of change in exchange rates on cash and cash equivalents	(915)	(6,758)
Net increase in cash and cash equivalents	276,050	53,717
Cash and cash equivalents at the beginning of the year	428,635	501,029
Cash and cash equivalents at the end of the period	704,685	554,746

(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, 2016**Basis of preparation**

The Rakuten Group's summary of consolidated financial statements for the six months ended June 30, 2016 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" 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 financial statements, it ought to be used in combination with the consolidated financial statements for the fiscal year ended December 31, 2015.

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, 2016 basically remain the same as those adopted in the consolidated financial statements for the previous fiscal year. In addition, income tax expenses for the six months ended June 30, 2016 is calculated based upon estimated annual effective tax rate.

Significant accounting estimates and judgments

Preparation of the summary of consolidated financial statements under IFRS for the six months ended June 30, 2016 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 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 six months ended June 30, 2016 remain the same as those that had significant impact on the amounts in the consolidated financial statements for the previous fiscal year.

(Segment Information)**1. General Information**

As a comprehensive internet service provider engaged in the two main activities of Internet Services and FinTech, the Group Companies are organized into three reportable segments: “Internet Services,” “FinTech” and “Others.”

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 an internet shopping mall Rakuten Ichiba, online cash-back sites, travel booking sites, portal sites and digital content sites, along with business for advertising and similar on these sites.

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

The “Others” segment comprises businesses involving provision of messaging and communication services and others, and management of a professional baseball team.

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

The operating segment information is reported in accordance with IFRS as stated significant accounting policies in the previous fiscal year, and operating segment revenue and profit or loss are those before intersegment eliminations without consideration of consolidation adjustments, except for certain consolidated subsidiaries. The internal measure the 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 purpose of preparing future outlook based on certain rules. Other adjustment items are those tend to differ depending on the standards applied, therefore less comparable between companies, such as stock-based compensation expense 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, 2015 (January 1 to June 30, 2015)

(Millions of Yen)

	Internet Services	FinTech	Others	Total
Segment Revenue	198,907	135,036	23,441	357,384
Segment Profit (Loss)	35,890	32,799	(3,527)	65,162

Six months ended June 30, 2016 (January 1 to June 30, 2016)

(Millions of Yen)

	Internet Services	FinTech	Others	Total
Segment Revenue	227,629	145,745	31,161	404,535
Segment Profit (Loss)	29,505	33,640	(3,868)	59,277

Three months ended June 30, 2015 (April 1 to June 30, 2015)

(Millions of Yen)

	Internet Services	FinTech	Others	Total
Segment Revenue	102,785	69,576	13,798	186,159
Segment Profit (Loss)	16,862	16,886	(1,065)	32,683

Three months ended June 30, 2016 (April 1 to June 30, 2016)

(Millions of Yen)

	Internet Services	FinTech	Others	Total
Segment Revenue	115,869	74,201	17,349	207,419
Segment Profit (Loss)	14,284	17,971	(484)	31,771

Reconciliation from Segment Revenue to Consolidated Revenue

(Millions of Yen)

	Six months ended June 30, 2015 (January 1 to June 30, 2015)	Six months ended June 30, 2016 (January 1 to June 30, 2016)
Segment Revenue	357,384	404,535
Intercompany transactions, etc.	(25,378)	(35,629)
Consolidated Revenue	332,006	368,906

(Millions of Yen)

	Three months ended June 30, 2015 (April 1 to June 30, 2015)	Three months ended June 30, 2016 (April 1 to June 30, 2016)
Segment Revenue	186,159	207,419
Intercompany transactions, etc.	(12,972)	(18,813)
Consolidated Revenue	173,187	188,606

Reconciliation from Segment Profit to Income before Income Tax

(Millions of Yen)

	Six months ended June 30, 2015 (January 1 to June 30, 2015)	Six months ended June 30, 2016 (January 1 to June 30, 2016)
Segment Profit	65,162	59,277
Intercompany transactions, etc.	(2,160)	(899)
Non-GAAP Operating Income	63,002	58,378
Amortization of Intangible Assets (PPA)	(3,773)	(4,051)
Stock Based Compensation	(2,787)	(3,501)
One-off items	(1,153)	(2,042)
Operating income	55,289	48,784
Financial income and expenses	(1,875)	(1,813)
Share of income of associates and joint ventures	670	150
Income before income tax	54,084	47,121

(Millions of Yen)

	Three months ended June 30, 2015 (April 1 to June 30, 2015)	Three months ended June 30, 2016 (April 1 to June 30, 2016)
Segment Profit	32,683	31,771
Intercompany transactions, etc.	(1,776)	(89)
Non-GAAP Operating Income	30,907	31,682
Amortization of Intangible Assets (PPA)	(2,077)	(2,037)
Stock Based Compensation	(1,428)	(1,753)
One-off items	(1,153)	(2,042)
Operating income	26,249	25,850
Financial income and expenses	(1,045)	(901)
Share of income (loss) of associates and joint ventures	72	(49)
Income before income tax	25,276	24,900

One-off items recorded in the six months ended June 30, 2015 and second quarter of the previous fiscal year is an expense related to the relocation of head office. One-off items recorded in the six months ended June 30, 2016 and second quarter of the current fiscal year is an expense related to the strategic review of European business.

Breakdown of Operating Expenses

(Millions of Yen)

	Six months ended June 30, 2015 (January 1 to June 30, 2015)	Six months ended June 30, 2016 (January 1 to June 30, 2016)
Advertising and promotion expenditures	43,075	53,424
Employee benefits expenses	63,148	72,331
Depreciation and amortization	19,108	21,858
Communication and maintenance expenses	9,450	10,184
Consignment and subcontract expenses	16,994	19,106
Allowance for doubtful accounts charged to expenses	10,930	13,358
Cost of sales of merchandise and service revenue	58,451	70,294
Interest expense for finance business	3,026	3,036
Commission expense for finance business	3,671	4,248
Insurance claims and other payments, and provision of policy reserves and others for insurance business	8,205	8,556
Others	41,319	43,061
Total	277,377	319,456

(Millions of Yen)

	Three months ended June 30, 2015 (April 1 to June 30, 2015)	Three months ended June 30, 2016 (April 1 to June 30, 2016)
Advertising and promotion expenditures	23,306	27,042
Employee benefits expenses	32,617	35,931
Depreciation and amortization	9,963	11,127
Communication and maintenance expenses	4,796	5,094
Consignment and subcontract expenses	8,880	9,850
Allowance for doubtful accounts charged to expenses	5,609	6,771
Cost of sales of merchandise and service revenue	31,214	36,287
Interest expense for finance business	1,592	1,483
Commission expense for finance business	1,924	2,171
Insurance claims and other payments, and provision of policy reserves and others for insurance business	4,179	4,223
Others	21,856	21,412
Total	145,936	161,391

Notes on significant subsequent events

No items to report