

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 nine months ended September 30, 2016

Rakuten, Inc.
November 10, 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 nine months ended September 30, 2016 (January 1 – September 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	%
Nine months ended September 30, 2016	559,357	8.7	75,203	(9.3)	72,272	(10.6)	43,958	3.3
Nine months ended September 30, 2015	514,711	21.3	82,958	13.5	80,862	12.9	42,537	(0.4)

	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
Nine months ended September 30, 2016	43,942	3.0	(35,517)	—	30.83	30.63
Nine months ended September 30, 2015	42,655	0.8	45,523	(11.8)	31.41	31.18

(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 September 30, 2016	4,278,402	620,980	621,044	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 conditions.

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)
1,432,092,700 shares (As of September 30, 2016)
1,430,373,900 shares (As of December 31, 2015)
2. Number of treasury stocks at the end of the period
6,008,888 shares (As of September 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)
1,425,247,703 shares (January 1 – September 30, 2016)
1,357,813,797 shares (January 1 – September 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 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 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, and are 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 Nine Months ended September 30, 2016 (Non-GAAP basis)

The world economy during the nine months ended September 30, 2016 (January 1 to September 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. 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 implemented strategic actions 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, highly contributed 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 also solid growth in Rakuten Bank services. These contributed to a solid increase in both revenue and profit, although the securities services suffered from a slump in the stock market.

As a result, the Rakuten Group achieved revenue of ¥559,357 million, up 8.7% year-on-year, for the nine months ended September 30, 2016. However, mainly affected by increased expenses due to aggressive sales activities and the deteriorating stock market, Non-GAAP operating income fell by 9.0% year-on-year to ¥88,613 million.

(Non-GAAP)

(Millions of yen)

	Nine months ended September 30, 2015	Nine months ended September 30, 2016	Amount Change YoY	% Change YoY
Revenue	514,711	559,357	44,646	8.7%
Non-GAAP Operating Income	97,408	88,613	(8,795)	(9.0%)

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

For the nine months ended September 30, 2016, amortization of intangible assets of ¥6,098 million and stock based compensation expense of ¥5,270 million were excluded 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 ¥3,920 million in the same period of the previous fiscal year was recorded as expense related to the relocation of head office.

(Millions of yen)

	Nine months ended September 30, 2015	Nine months ended September 30, 2016	Amount Change YoY
Non-GAAP operating income	97,408	88,613	(8,795)
Amortization of intangible assets (PPA)	(6,007)	(6,098)	(91)
Stock based compensation	(4,523)	(5,270)	(747)
One-off items	(3,920)	(2,042)	1,878
Operating Income	82,958	75,203	(7,755)

iii) Business Results for the Nine months ended September 30, 2016 (IFRS basis)

The Rakuten Group recorded revenue of ¥559,357 million, up 8.7% year-on-year, and IFRS operating income of ¥75,203 million, down 9.3% year-on-year. Meanwhile, net income attributable to owners of the parent company amounted to ¥43,942 million, up 3.0% year-on-year, for the nine months ended September 30, 2016, thanks to a decrease in income tax expenses.

(IFRS)

(Millions of yen)

	Nine months ended September 30, 2015	Nine months ended September 30, 2016	Amount Change YoY	% Change YoY
Revenue	514,711	559,357	44,646	8.7%
Operating income	82,958	75,203	(7,755)	(9.3%)
Net income attributable to owners of the parent company	42,655	43,942	1,287	3.0%

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. From the three months ended September 30, 2016, the Rakuten Group reviewed its internal reporting control framework following the introduction of an internal Company System. Accordingly, businesses that had previously comprised the “Others” segment were integrated into the businesses that comprise the “Internet Services” segment. As a result, the previous three reporting segments were changed to two reporting segments: “Internet Services” and “FinTech.” Segment information for the nine months ended September 30, 2015 and third quarter of the previous fiscal year have been prepared based on the classification method after the change. For details, please refer to P. 20 “3. Consolidated Financial Statements (Summary) (6) Notes to the summary of consolidated financial statements for the nine months ended September 30, 2016 (Segment Information) 1. General Information.”

Internet Services

In the Internet Services segment for the nine months ended September 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 conducted aggressive sales activities with the aim of winning new users and developing the long-term loyal-customer base, a number of initiatives targeting greater customer satisfaction, strengthening services for smart devices and to open up the Rakuten Ecosystem. As a result, though sales expenses increased, domestic e-commerce services revenue was robust. In overseas e-commerce services, Ebates contributed significantly to the growth of business results. In contents services, the contribution from OverDrive Holdings, Inc. (“OverDrive”), which became a subsidiary in April 2015, led to improvement in performance of the global eBook business. Rakuten Mobile, which provides MVNO (Mobile Virtual Network Operator) services, substantially increased revenue thanks to its full-scale aggressive sales activities commenced during the three months ended June 30, 2015. In messaging and VoIP service “Viber”, strategic investments for its future growth continued and consistent growth was seen in the number of user IDs.

As a result, revenue for the Internet Services segment rose to ¥394,726 million, a 13.4% year-on-year increase, while segment profit stood at ¥40,380 million, a 22.5% year-on-year decrease.

(Millions of yen)

	Nine months ended September 30, 2015	Nine months ended September 30, 2016	Amount Change YoY	% Change YoY
Segment Revenue	348,134	394,726	46,592	13.4%
Segment Profit	52,072	40,380	(11,692)	(22.5%)

FinTech

In the FinTech segment for the nine months ended September 30, 2016, shopping transaction value grew by 20.4% 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 revenue and profits. 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 ¥218,790 million in revenue, a 7.1% year-on-year increase, while segment profit stood at ¥49,166 million, a 2.6% increase year-on-year.

(Millions of yen)

	Nine months ended September 30, 2015	Nine months ended September 30, 2016	Amount Change YoY	% Change YoY
Segment Revenue	204,376	218,790	14,414	7.1%
Segment Profit	47,939	49,166	1,227	2.6%

(2) Analysis Concerning Financial Position

i) Assets, Liabilities, and Net Assets

Assets

Total assets at September 30, 2016 amounted to ¥4,278,402 million, an increase of ¥8,449 million from ¥4,269,953 million at the end of the previous fiscal year. The primary factors were decreases of ¥107,869 million in financial assets for securities business, and ¥84,705 million in investment securities for banking business, which were offset by increases of ¥103,012 million in loans for banking business, ¥96,383 million in cash and cash equivalents, and ¥70,209 million in loans for credit card business.

Liabilities

Total liabilities at September 30, 2016 amounted to ¥3,657,422 million, an increase of ¥51,482 million from ¥3,605,940 million at the end of the previous fiscal year. The primary factors were decreases of ¥37,891 million in Accounts payable - trade and ¥34,666 million in financial liabilities for securities business, which were offset by increases of ¥105,842 million in deposits for banking business and ¥47,438 million in bonds and borrowings due to issuance of bonds.

Equity

Equity at September 30, 2016 was ¥620,980 million, a decrease of ¥43,033 million from ¥664,013 million at the end of the previous fiscal year. The primary factors were the recognition of a ¥43,942 million of net income attributable to owners of the parent company, which was offset by a decrease of ¥83,114 million in other components of equity resulting from fluctuations in the foreign exchange rates.

ii) Cash Flows

Cash and cash equivalents at September 30, 2016 was ¥597,412 million, an increase of ¥96,383 million from the end of the previous fiscal year. Among these, deposit with the Bank of Japan for banking business was ¥425,104 million, an increase of ¥77,030 million from the end of the previous fiscal year. Cash flow conditions and their major factors for the nine months ended September 30, 2016 are as follows.

Net cash flows from operating activities

Net cash flows from operating activities for the nine months ended September 30, 2016 resulted in a cash inflow of ¥60,247 million (compared with a cash inflow of ¥29,555 million for the same period of previous fiscal year). Primary factors included a cash outflow of ¥103,012 million for an increase in loans for banking business, and a cash outflow of ¥70,513 million for an increase in loans for credit card business, which were offset by a cash inflow of ¥105,842 million for an increase in deposits for banking business, a cash inflow of ¥72,272 million for income before income tax, and net proceeds of ¥73,071 million from fluctuations of financial assets and liabilities for securities business (a cash inflow of ¥106,353 million for decrease in financial assets and a cash outflow of ¥33,282 million for decrease in financial liabilities).

Net cash flows from investing activities

Net cash flows from investing activities for the nine months ended September 30, 2016 resulted in a cash inflow of ¥10,412 million (compared with a cash outflow of ¥150,930 million for the same period of previous fiscal year). Primary factors included net proceeds of ¥83,195 million for purchase and sales of investment securities for banking business (a cash inflow of ¥264,486 million from sales and redemption of investment securities and a cash outflow of ¥181,291 million for purchase of investment securities), which was offset by a cash outflow of ¥30,657 million for purchase of intangible assets including software and a cash outflow of ¥24,719 million for acquisition of subsidiaries.

Net cash flows from financing activities

Net cash flows from financing activities for the nine months ended September 30, 2016 resulted in a cash inflow of ¥34,056 million (compared with a cash inflow of ¥161,705 million for the same period of

previous fiscal year). Primary factors included a cash inflow of ¥133,500 million from long-term debt, which was offset by a cash outflow of ¥75,728 million for repayment of long-term debt and a cash outflow of ¥52,765 million for a decrease in short-term borrowings.

(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.

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 from 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. 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.

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.

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 nine months ended September 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 nine months ended September 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 September 30, 2016
Assets		
Cash and cash equivalents	501,029	597,412
Accounts receivable - trade	104,011	90,698
Financial assets for securities business	1,109,299	1,001,430
Loans for credit card business	833,820	904,029
Investment securities for banking business	257,769	173,064
Loans for banking business	444,044	547,056
Investment securities for insurance business	15,308	16,509
Derivative assets	21,312	23,755
Investment securities	151,237	127,365
Other financial assets	161,640	128,217
Investments in associates and joint ventures	16,912	39,152
Property, plant and equipment	48,442	50,020
Intangible assets	514,752	471,025
Deferred tax assets	28,252	25,019
Other assets	62,126	83,651
Total assets	4,269,953	4,278,402

(Millions of Yen)

	As of December 31, 2015	As of September 30, 2016
Liabilities		
Accounts payable - trade	162,606	124,715
Deposits for banking business	1,366,784	1,472,626
Financial liabilities for securities business	987,244	952,578
Derivative liabilities	10,623	5,836
Bonds and borrowings	649,195	696,633
Other financial liabilities	268,448	249,598
Income taxes payable	24,718	10,610
Provisions	54,129	58,470
Policy reserves and others for insurance business	21,635	23,670
Deferred tax liabilities	20,417	18,482
Other liabilities	40,141	44,204
Total liabilities	3,605,940	3,657,422
Equity		
Equity attributable to owners of the parent company		
Common stock	203,588	204,397
Capital surplus	208,677	210,288
Retained earnings	176,834	216,528
Treasury stock	(3,627)	(3,627)
Other components of equity	76,572	(6,542)
Total equity attributable to owners of the parent company	662,044	621,044
Non-controlling interests	1,969	(64)
Total equity	664,013	620,980
Total liabilities and equity	4,269,953	4,278,402

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

Consolidated Statement of Income (Summary)

(For the nine months ended September 30, 2015 and 2016)

(Millions of yen)

	Nine months ended September 30, 2015 (January 1 to September 30, 2015)	Nine months ended September 30, 2016 (January 1 to September 30, 2016)
Continuing Operations		
Revenue	514,711	559,357
Operating expenses	431,991	482,485
Other income	4,441	3,627
Other expenses	4,203	5,296
Operating income	82,958	75,203
Financial income	87	217
Financial expenses	2,918	2,723
Share of income (loss) of associates and joint ventures	735	(425)
Income before income tax	80,862	72,272
Income tax expense	38,325	28,314
Net income	42,537	43,958
Net income attributable to:		
Owners of the parent company	42,655	43,942
Non-controlling interests	(118)	16
Net income	42,537	43,958
(Yen)		
Earnings per share attributable to owners of the parent company		
Basic	31.41	30.83
Diluted	31.18	30.63

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

(Millions of yen)

	Three months ended September 30, 2015 (July 1 to September 30, 2015)	Three months ended September 30, 2016 (July 1 to September 30, 2016)
Continuing Operations		
Revenue	182,705	190,451
Operating expenses	154,614	163,029
Other income	2,059	116
Other expenses	2,481	1,119
Operating income	27,669	26,419
Financial income	6	105
Financial expenses	962	798
Share of income (loss) of associates and joint ventures	65	(575)
Income before income tax	26,778	25,151
Income tax expense	11,955	7,742
Net income	14,823	17,409
Net income attributable to:		
Owners of the parent company	14,883	17,374
Non-controlling interests	(60)	35
Net income	14,823	17,409
(Yen)		
Earnings per share attributable to owners of the parent company		
Basic	10.45	12.19
Diluted	10.38	12.10

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

(Millions of yen)

	Nine months ended September 30, 2015 (January 1 to September 30, 2015)	Nine months ended September 30, 2016 (January 1 to September 30, 2016)
Net income	42,537	43,958
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	19,792	(4,360)
Income tax effect of gains and losses on financial assets measured at fair value through other comprehensive income	(4,115)	334
Share of other comprehensive income of associates and joint ventures	6	5
Total items that will not be reclassified to net income	15,683	(4,021)
Items that will be reclassified to net income		
Foreign currency translation adjustments	(12,565)	(74,975)
Gains (losses) on cash flow hedges recognized in other comprehensive income	(454)	(556)
Income tax effect of gains or losses on cash flow hedges recognized in other comprehensive income	130	162
Gains (losses) on cash flow hedges reclassified from other comprehensive income to net income	445	331
Income tax effect of gains or losses on cash flow hedges reclassified from other comprehensive income to net income	(153)	(100)
Share of other comprehensive income of associates and joint ventures	(100)	(316)
Total items that will be reclassified to net income	(12,697)	(75,454)
Other comprehensive income, net of tax	2,986	(79,475)
Comprehensive income	45,523	(35,517)
Comprehensive income attributable to:		
Owners of the parent company	45,631	(35,535)
Non-controlling interests	(108)	18
Comprehensive income	45,523	(35,517)

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

(Millions of yen)

	Three months ended September 30, 2015 (July1 to September 30, 2015)	Three months ended September 30, 2016 (July1 to September 30, 2016)
Net income	14,823	17,409
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	(2,999)	(1,618)
Income tax effect of gains and losses on financial assets measured at fair value through other comprehensive income	619	462
Share of other comprehensive income of associates and joint ventures	(7)	(0)
Total items that will not be reclassified to net income	(2,387)	(1,156)
Items that will be reclassified to net income		
Foreign currency translation adjustments	(13,832)	(7,427)
Gains (losses) on cash flow hedges recognized in other comprehensive income	(238)	(114)
Income tax effect of gains or losses on cash flow hedges recognized in other comprehensive income	81	33
Gains (losses) on cash flow hedges reclassified from other comprehensive income to net income	248	116
Income tax effect of gains or losses on cash flow hedges reclassified from other comprehensive income to net income	(83)	(35)
Share of other comprehensive income of associates and joint ventures	(37)	(19)
Total items that will be reclassified to net income	(13,861)	(7,446)
Other comprehensive income, net of tax	(16,248)	(8,602)
Comprehensive income	(1,425)	8,807
Comprehensive income attributable to:		
Owners of the parent company	(1,374)	8,775
Non-controlling interests	(51)	32
Comprehensive income	(1,425)	8,807

(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	—	—	42,655	—	—	—	—	—	42,655	(118)	42,537
Other comprehensive income, net of tax	—	—	—	—	(12,675)	15,683	(32)	2,976	2,976	10	2,986
Total comprehensive income	—	—	42,655	—	(12,675)	15,683	(32)	2,976	45,631	(108)	45,523
Transactions with owners											
Contributions by and distributions to owners											
Issuance of common stock	91,864	91,864	—	—	—	—	—	—	183,728	—	183,728
Direct expenses related to issuance of common stock	—	(770)	—	—	—	—	—	—	(770)	—	(770)
Cash dividends paid	—	—	(5,952)	—	—	—	—	—	(5,952)	—	(5,952)
Reclassification from other components of equity to retained earnings	—	—	98	—	—	(98)	—	(98)	—	—	—
Others	—	2,638	(205)	22	—	—	—	—	2,455	—	2,455
Total contributions by and distributions to owners	91,864	93,732	(6,059)	22	—	(98)	—	(98)	179,461	—	179,461
Changes in ownership interests in subsidiaries											
Issuance of common stock	—	—	—	—	—	—	—	—	—	17	17
Acquisitions and disposals of non-controlling interests	—	(4,543)	—	—	—	—	—	—	(4,543)	(1,808)	(6,351)
Others	—	(31)	—	—	—	—	—	—	(31)	(2,797)	(2,828)
Total changes in ownership interests in subsidiaries	—	(4,574)	—	—	—	—	—	—	(4,574)	(4,588)	(9,162)
Total transactions with owners	91,864	89,158	(6,059)	22	—	(98)	—	(98)	174,887	(4,588)	170,299
As of September 30, 2015	203,466	207,686	174,636	(3,627)	38,679	35,038	(554)	73,163	655,324	1,931	657,255

(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, 2016	203,588	208,677	176,834	(3,627)	40,477	36,581	(486)	76,572	662,044	1,969	664,013
Net income	—	—	43,942	—	—	—	—	—	43,942	16	43,958
Other comprehensive income net of tax	—	—	—	—	(75,292)	(4,022)	(163)	(79,477)	(79,477)	2	(79,475)
Total comprehensive income	—	—	43,942	—	(75,292)	(4,022)	(163)	(79,477)	(35,535)	18	(35,517)
Transactions with owners											
Contributions by and distributions to owners											
Issuance of common stock	809	810	—	—	—	—	—	—	1,619	—	1,619
Cash dividends paid	—	—	(6,410)	—	—	—	—	—	(6,410)	—	(6,410)
Reclassification from other components of equity to retained earnings	—	—	3,637	—	—	(3,637)	—	(3,637)	—	—	—
Others	—	2,983	(1,475)	(0)	—	—	—	—	1,508	—	1,508
Total contributions by and distributions to owners	809	3,793	(4,248)	(0)	—	(3,637)	—	(3,637)	(3,283)	—	(3,283)
Changes in ownership interests in subsidiaries											
Issuance of common stock	—	—	—	—	—	—	—	—	—	1	1
Acquisitions and disposals of non- controlling interests	—	(2,252)	—	—	—	—	—	—	(2,252)	(1,891)	(4,143)
Others	—	70	—	—	—	—	—	—	70	(161)	(91)
Total changes in ownership interests in subsidiaries	—	(2,182)	—	—	—	—	—	—	(2,182)	(2,051)	(4,233)
Total transactions with owners	809	1,611	(4,248)	(0)	—	(3,637)	—	(3,637)	(5,465)	(2,051)	(7,516)
As of September 30, 2016	204,397	210,288	216,528	(3,627)	(34,815)	28,922	(649)	(6,542)	621,044	(64)	620,980

(4) Consolidated Statement of Cash Flows (Summary)

(Millions of Yen)

	Nine months ended September 30, 2015 (January 1 to September 30, 2015)	Nine months ended September 30, 2016 (January 1 to September 30, 2016)
Cash flows from operating activities		
Income before income tax	80,862	72,272
Depreciation and amortization	29,467	32,935
Other loss (income)	5,094	11,527
Decrease (Increase) in operating receivables	4,237	7,827
Decrease (Increase) in loans for credit card business	(53,525)	(70,513)
Increase (Decrease) in deposits for banking business	147,143	105,842
Decrease (Increase) in call loans for banking business	(34,300)	23,000
Decrease (Increase) in loans for banking business	(97,537)	(103,012)
Increase (Decrease) in operating payables	(24,426)	(33,937)
Decrease (Increase) in financial assets for securities business	16,461	106,353
Increase (Decrease) in financial liabilities for securities business	24,828	(33,282)
Others	(22,439)	(10,201)
Income tax paid	(46,310)	(48,564)
Net cash flows from operating activities	29,555	60,247
Cash flows from investing activities		
Decrease in restricted deposits	189	20,672
Increase in time deposits	(11,623)	(13,756)
Decrease in time deposits	9,513	11,381
Purchase of property, plant and equipment	(14,111)	(9,957)
Purchase of intangible assets	(25,663)	(30,657)
Acquisition of subsidiaries	(58,433)	(24,719)
Acquisition of investments in associates and joint ventures	(4,255)	(19,278)
Purchase of investment securities for banking business	(249,372)	(181,291)
Proceeds from sales and redemption of investment securities for banking business	256,112	264,486
Purchase of investment securities for insurance business	(4,978)	(8,513)
Proceeds from sales and redemption of investment securities for insurance business	2,464	8,290
Purchase of investment securities	(52,806)	(20,757)
Proceeds from sales and redemption of investment securities	7,138	15,469
Other payments	(11,592)	(2,812)
Other proceeds	6,487	1,854
Net cash flows (used in) from investing activities	(150,930)	10,412
Cash flows from financing activities		
Proceeds from issuance of common stock	182,341	510
Net increase (Decrease) in short-term borrowings	(14,304)	(52,765)
Increase (Decrease) in commercial papers	(32,500)	2,000
Proceeds from long-term debt	93,952	133,500
Repayment of long-term debt	(49,729)	(75,728)
Proceeds from bond issuance	—	39,796
Cash dividends paid	(5,950)	(6,406)

(Millions of Yen)

	Nine months ended September 30, 2015 (January 1 to September 30, 2015)	Nine months ended September 30, 2016 (January 1 to September 30, 2016)
Others	(12,105)	(6,851)
Net cash flows from financing activities	161,705	34,056
Effect of change in exchange rates on cash and cash equivalents	(3,124)	(8,332)
Net increase in cash and cash equivalents	37,206	96,383
Cash and cash equivalents at the beginning of the year	428,635	501,029
Cash and cash equivalents at the end of the period	465,841	597,412

(5) Assumptions for going concern

No items to report

(6) Notes to the summary of consolidated financial statements for the nine months ended September 30, 2016**Basis of preparation**

The Rakuten Group's summary of consolidated financial statements for the nine months ended September 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.

This summary of consolidated financial statements for the nine months ended September 30, 2016 was approved by the Board of Directors on November 10, 2016.

Significant accounting policies

Significant accounting policies adopted by the Rakuten Group in this summary of consolidated financial statements for the nine months ended September 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 nine months ended September 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 nine months ended September 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 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 nine months ended September 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 were previously organized into three reporting segments: “Internet Services,” “FinTech” and “Others.” From the three months ended September 30, 2016, the Rakuten Group reviewed its internal reporting control framework following the introduction of an internal Company System. Accordingly, businesses that had previously comprised the “Others” segment were integrated into the businesses that comprise the “Internet Services” segment. As a result, previous three reportable segments were changed to two reportable segments: “Internet Services” and “FinTech.”

Segment information for the nine months ended September 30, 2015 and third quarter of the previous fiscal year have been prepared based on the classification method after the change.

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, as well as provision of messaging and communication services and others, and management of professional sports.

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

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 intercompany 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.

Nine months ended September 30, 2015 (January 1 to September 30, 2015)

(Millions of Yen)

	Internet Services	FinTech	Total
Segment Revenue	348,134	204,376	552,510
Segment Profit	52,072	47,939	100,011

Nine months ended September 30, 2016 (January 1 to September 30, 2016)

(Millions of Yen)

	Internet Services	FinTech	Total
Segment Revenue	394,726	218,790	613,516
Segment Profit	40,380	49,166	89,546

Three months ended September 30, 2015 (July 1 to September 30, 2015)

(Millions of Yen)

	Internet Services	FinTech	Total
Segment Revenue	125,786	69,340	195,126
Segment Profit	19,709	15,140	34,849

Three months ended September 30, 2016 (July 1 to September 30, 2016)

(Millions of Yen)

	Internet Services	FinTech	Total
Segment Revenue	135,936	73,045	208,981
Segment Profit	14,743	15,526	30,269

Reconciliation from Segment Revenue to Consolidated Revenue

(Millions of Yen)

	Nine months ended September 30, 2015 (January 1 to September 30, 2015)	Nine months ended September 30, 2016 (January 1 to September 30, 2016)
Segment Revenue	552,510	613,516
Intercompany transactions, etc.	(37,799)	(54,159)
Consolidated Revenue	514,711	559,357

(Millions of Yen)

	Three months ended September 30, 2015 (July 1 to September 30, 2015)	Three months ended September 30, 2016 (July 1 to September 30, 2016)
Segment Revenue	195,126	208,981
Intercompany transactions, etc.	(12,421)	(18,530)
Consolidated Revenue	182,705	190,451

Reconciliation from Segment Profit to Income before Income Tax

(Millions of Yen)

	Nine months ended September 30, 2015 (January 1 to September 30, 2015)	Nine months ended September 30, 2016 (January 1 to September 30, 2016)
Segment Profit	100,011	89,546
Intercompany transactions, etc.	(2,603)	(933)
Non-GAAP Operating Income	97,408	88,613
Amortization of Intangible Assets (PPA)	(6,007)	(6,098)
Stock Based Compensation	(4,523)	(5,270)
One-off items	(3,920)	(2,042)
Operating income	82,958	75,203
Financial income and expenses	(2,831)	(2,506)
Share of income (loss) of associates and joint ventures	735	(425)
Income before income tax	80,862	72,272

(Millions of Yen)

	Three months ended September 30, 2015 (July 1 to September 30, 2015)	Three months ended September 30, 2016 (July 1 to September 30, 2016)
Segment Profit	34,849	30,269
Intercompany transactions, etc.	(443)	(34)
Non-GAAP Operating Income	34,406	30,235
Amortization of Intangible Assets (PPA)	(2,234)	(2,047)
Stock Based Compensation	(1,736)	(1,769)
One-off items	(2,767)	-
Operating income	27,669	26,419
Financial income and expenses	(956)	(693)
Share of income (loss) of associates and joint ventures	65	(575)
Income before income tax	26,778	25,151

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

Breakdown of Operating Expenses

(Millions of Yen)

	Nine months ended September 30, 2015 (January 1 to September 30, 2015)	Nine months ended September 30, 2016 (January 1 to September 30, 2016)
Advertising and promotion expenditures	69,355	82,740
Employee benefits expenses	98,632	108,059
Depreciation and amortization	29,467	32,935
Communication and maintenance expenses	14,308	15,147
Consignment and subcontract expenses	25,294	29,254
Allowance for doubtful accounts charged to expenses	16,578	19,811
Cost of sales of merchandise and service revenue	91,129	106,022
Interest expense for finance business	4,651	4,238
Commission expense for finance business	5,607	6,419
Insurance claims and other payments, and provision of policy reserves and others for insurance business	12,380	12,684
Others	64,590	65,176
Total	431,991	482,485

(Millions of Yen)

	Three months ended September 30, 2015 (July 1 to September 30, 2015)	Three months ended September 30, 2016 (July 1 to September 30, 2016)
Advertising and promotion expenditures	26,280	29,316
Employee benefits expenses	35,484	35,728
Depreciation and amortization	10,359	11,077
Communication and maintenance expenses	4,858	4,963
Consignment and subcontract expenses	8,300	10,148
Allowance for doubtful accounts charged to expenses	5,648	6,453
Cost of sales of merchandise and service revenue	32,678	35,728
Interest expense for finance business	1,625	1,202
Commission expense for finance business	1,936	2,171
Insurance claims and other payments, and provision of policy reserves and others for insurance business	4,175	4,128
Others	23,271	22,115
Total	154,614	163,029

Notes on significant subsequent events

No items to report