

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, 2017

Rakuten, Inc.
August 7, 2017

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, 2017 (January 1 – June 30, 2017)

(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, 2017	440,090	19.3	68,616	39.2	63,420	33.1	40,236	49.2
Six months ended June 30, 2016	368,906	11.1	49,295	—	47,632	—	26,966	—

	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, 2017	40,315	49.4	26,822	—	28.67	28.44
Six months ended June 30, 2016	26,985	—	(52,529)	—	18.94	18.83

Note: Year on year changes for the second quarter of the fiscal year ending December 2016 (excluding revenue) are not stated due to retroactive adjustments resulting from a change in accounting policy.

(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, 2017	5,064,785	648,863	648,802	12.8
As of December 31, 2016	4,604,672	682,490	682,391	14.8

2. Dividend Distribution

	Annual dividend per share				
	Q1	Q2	Q3	Q4	Total
	Yen	Yen	Yen	Yen	Yen
FY2016	—	0.00	—	4.50	4.50
FY2017	—	0.00			
FY2017 (Forecast)			—	—	—

Note: Dividend per share for FY2017 is not yet decided, and there are no changes to this previously disclosed dividend forecast.

3. Estimate of Consolidated Operating Results for Fiscal 2017 (January 1 to December 31, 2017)

For the estimate of consolidated operating results for Fiscal 2017, double-digit growth from Fiscal 2016 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: No
2. Changes in accounting policies due to other reasons: Yes
3. Changes in accounting estimates: No

Note: For details, see page 15, 2. Consolidated Financial Statements (Summary) and Major Notes (6) Notes to the summary of consolidated financial statements for the six months ended June 30, 2017 (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)
 - 1,433,690,800 shares (As of June 30, 2017)
 - 1,432,422,600 shares (As of December 31, 2016)
2. Number of treasury stocks at the end of the period
 - 54,117,038 shares (As of June 30, 2017)
 - 6,008,888 shares (As of December 31, 2016)
3. Average number of shares during the period (cumulative from the beginning of the year)
 - 1,406,422,162 shares (January 1 – June 30, 2017)
 - 1,424,919,161 shares (January 1 – June 30, 2016)

Indication regarding execution of review procedures

The quarterly financial statements are not subject to quarterly reviews.

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

Consolidated forecasts for the year ending December 31, 2017 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 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, 2017 (Non-GAAP basis)

The world economy during the six months ended June 30, 2017 (January 1 to June 30, 2017) continued to stay on a gradual recovery track, although attention must be paid to factors including the normalization of U.S. monetary policy and uncertainty regarding the policies of various countries. The Japanese economy also saw an ongoing gradual recovery trend amid continuing improvement in the wage and employment environment.

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 growth in gross merchandise sales and revenues 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 an improvement in overseas Internet services, due to contributions from the steady growth in U.S. subsidiary Ebates Inc. (“Ebates”) and other factors. The Rakuten Group is also making investments in companies that have new technologies or innovative business models, and has recorded unrealized gains on stocks related to these investments. In the FinTech segment, further expansion of the membership base for Rakuten Card brought in more commission income, while there was also solid growth in banking services. These contributed to a solid increase in both revenue and profit. In credit card related services, we have undertaken a full-scale update of the core system, with the aim to flexibly operate services, providing greater user friendliness and to create an environment which enables our members to use credit cards without concern on a long-term basis.

As a result, the Rakuten Group achieved revenue of ¥440,090 million, up 19.3% year-on-year, for the six months ended June 30, 2017, and Non-GAAP operating income increased by 28.6% year-on-year to ¥75,741 million.

(Non-GAAP)

(Millions of yen)

	Six months ended June 30, 2016	Six months ended June 30, 2017	Amount Change YoY	% Change YoY
Revenue	368,906	440,090	71,184	19.3%
Non-GAAP Operating Income	58,889	75,741	16,852	28.6%

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

For the six months ended June 30, 2017, amortization of intangible assets of ¥3,552 million and stock-based compensation expenses of ¥3,573 million were excluded from Non-GAAP operating income. One-off items in the amount of ¥2,042 million in the same period of the previous fiscal year include expenses associated with the strategic review of European businesses.

(Millions of yen)

	Six months ended June 30, 2016	Six months ended June 30, 2017	Amount Change YoY
Non-GAAP operating income	58,889	75,741	16,852
Amortization of intangible assets (PPA)	(4,051)	(3,552)	499
Stock based compensation	(3,501)	(3,573)	(72)
One-off items	(2,042)	—	2,042
Operating Income	49,295	68,616	19,321

iii) Business Results for the six Months ended June 30, 2017 (IFRS basis)

The Rakuten Group recorded revenue of ¥440,090 million, up 19.3% year-on-year, IFRS operating income of ¥68,616 million, up 39.2% year-on-year, and net income attributable to owners of the parent company of ¥40,315 million, up 49.4% year-on-year, for the six months ended June 30, 2017.

(IFRS)

(Millions of yen)

	Six months ended June 30, 2016	Six months ended June 30, 2017	Amount Change YoY	% Change YoY
Revenue	368,906	440,090	71,184	19.3%
Operating income	49,295	68,616	19,321	39.2%
Net income attributable to owners of the parent company	26,985	40,315	13,330	49.4%

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, 2017, the Rakuten Group actively worked on various initiatives. With the aim of further revenue growth in its mainstay domestic e-commerce services, the Rakuten Group has cultivated a loyal customer base and has conducted 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. As a result, although expenses associated with sales activities increased, revenues from the domestic e-commerce services increased significantly, partly due to the contribution of Soukai Drug Co., Ltd. acquired in the previous year. 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.

As a result, revenue for the Internet Service segment rose to ¥312,334 million, a 20.7% year-on-year increase, and segment profit stood at ¥41,542 million, a 62.0% year-on-year increase.

(Millions of yen)

	Six months ended June 30, 2016	Six months ended June 30, 2017	Amount Change YoY	% Change YoY
Segment Revenue	258,790	312,334	53,544	20.7%
Segment Profit	25,637	41,542	15,905	62.0%

FinTech

In the FinTech segment for the six months ended June 30, 2017, shopping transaction value and revolving balances in credit card related services increased due to growth in Rakuten Card membership, resulting in a steady rise in revenue and profit. In credit card related services, our core system has been fully updated with the aim to flexibly operate services for providing greater user friendliness and to create an environment which enables our members to use credit cards without concern on a long-term basis. Despite an increase in expenses as a result of such system updating, profit from said services has shown a steady rise. In banking services, revenue and profit continued to grow despite the backdrop of a negative interest rate policy, due to an increase in interest income from loans, with expanding loan balances and improvements in cost efficiency. In securities services, the negative impact of volatile market conditions markedly weighed down its revenue and profit from their levels in the corresponding period of the previous year.

As a result, the FinTech segment recorded ¥160,044 million in revenue, a 9.8% year-on-year increase, while segment profit stood at ¥35,252 million, a 4.8% year-on-year increase.

(Millions of yen)

	Six months ended June 30, 2016	Six months ended June 30, 2017	Amount Change YoY	% Change YoY
Segment Revenue	145,745	160,044	14,299	9.8%
Segment Profit	33,640	35,252	1,612	4.8%

(2) Analysis Concerning Financial Position

i) Assets, Liabilities, and Net Assets

Assets

Total assets at June 30, 2017 amounted to ¥5,064,785 million, an increase of ¥460,113 million from ¥4,604,672 million at the end of the previous fiscal year. The primary factors were an increase of ¥177,934 million in financial assets for securities business, an increase of ¥93,781 million in loans for banking business, an increase of ¥40,765 million in cash and cash equivalents, an increase of ¥34,663 million in investment securities, and an increase of ¥32,793 million in loans for credit card business.

Liabilities

Total liabilities at June 30, 2017 amounted to ¥4,415,922 million, an increase of ¥493,740 million from ¥3,922,182 million at the end of the previous fiscal year. The primary factors were an increase of ¥173,979 million in bonds and borrowings, an increase of ¥166,600 million in financial liabilities for securities business, and an increase of ¥159,282 million in deposits for banking business.

Equity

Equity at June 30, 2017 was ¥648,863 million, a decrease of ¥33,627 million from ¥682,490 million at the end of the previous fiscal year. The primary factors were a recognition of ¥40,315 million of net income attributable to owners of the parent company for the six months ended June 30, 2017, which was offset by decreases of ¥57,153 million due to acquisition of treasury stock, and ¥13,566 million in other components of equity resulting from fluctuations in the foreign exchange rates, etc.

ii) Cash Flows

Cash and cash equivalents at June 30, 2017 was ¥589,034 million, an increase of ¥40,765 million from the end of the previous fiscal year. Among these, deposits with the Bank of Japan for banking business were ¥389,684 million, an increase of ¥12,805 million from the end of the previous fiscal year. Cash flow conditions and their major factors for the six months ended June 30, 2017 are as follows.

Net cash flows from operating activities

Net cash flows from operating activities for the six months ended June 30, 2017 resulted in a cash inflow of ¥47,284 million (compared with a cash outflow of ¥21,722 million for the same period of the previous fiscal year). Primary factors included a cash inflow of ¥63,420 million from income before income tax and a cash inflow of ¥159,282 million from an increase in deposits for banking business, which were offset by a cash outflow of ¥93,781 million due to an increase in loans for banking business, a cash outflow of ¥32,669 million due to an increase in loans for credit card business, a cash outflow of ¥27,007 million due to a decrease in operating payables, and a net cash outflow of ¥11,365 million from fluctuations of financial assets and liabilities for securities business (a cash outflow of ¥178,234 million for an increase in financial assets and a cash inflow of ¥166,869 million for an increase in financial liabilities).

Net cash flows from investing activities

Net cash flows from investing activities for the six months ended June 30, 2017 resulted in a cash outflow of ¥115,919 million (compared with a cash inflow of ¥8,647 million for the same period of the previous fiscal year). Primary factors included a net cash outflow of ¥26,302 million for purchase and sale, etc. of investment securities for banking business (a cash inflow of ¥124,835 million from sales and redemption of investment securities and a cash outflow of ¥151,137 million for purchase of investment securities for banking business), a cash outflow of ¥25,191 million due to purchase of property, plant and equipment including land and buildings, a net cash outflow of ¥23,611 million for purchase and sale, etc. of investment securities (a cash inflow of ¥7,047 million from sales and redemption of investment securities and a cash outflow of ¥30,658 million for purchase of investment securities), and a cash outflow of ¥21,885 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, 2017 resulted in a cash inflow of ¥108,618 million (compared with a cash inflow of ¥73,550 million for the same period of the previous fiscal year). Primary factors included a cash outflow of ¥105,159 million for repayment of long-term debt, which was offset by a cash inflow of ¥122,118 million from long-term debt and a cash inflow of ¥99,541 million from issuance of bonds.

(3) Qualitative Information about Consolidated Business Forecasts

For the forecast of consolidated operating results for Fiscal 2017, the Rakuten Group aims at double-digit growth from the previous fiscal year for consolidated revenue, excluding results from the securities business which are impacted by the stock market.

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

Internet Services

The Group's domestic e-commerce services will aim for further growth in gross transaction value and revenue through development of a long-term loyal customer base and implementation of aggressive sales activities in order to win new users, and by continuously pursuing initiatives targeting greater customer satisfaction, in addition to the global expansion of the e-commerce market. Overseas Internet services will aim for growth in revenue driven by a further increase in gross transaction value.

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. However, depreciation expense and other expenses associated with updating the core system are expected to be incurred. In banking services, a solid expansion of operations is expected. Meanwhile, it is difficult to make a forecast for securities services due to the substantial impact of stock market conditions.

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

(Millions of yen)

	As of December 31, 2016	As of June 30, 2017
Assets		
Cash and cash equivalents	548,269	589,034
Accounts receivable – trade	117,088	103,661
Financial assets for securities business	1,120,684	1,298,618
Loans for credit card business	1,014,708	1,047,501
Investment securities for banking business	157,315	183,404
Loans for banking business	585,800	679,581
Investment securities for insurance business	18,071	22,048
Derivative assets	21,813	19,940
Investment securities	173,076	207,739
Other financial assets	137,678	152,079
Investments in associates and joint ventures	41,130	50,439
Property, plant and equipment	53,271	74,082
Intangible assets	506,087	511,288
Deferred tax assets	25,681	24,862
Other assets	84,001	100,509
Total assets	4,604,672	5,064,785
Liabilities		
Accounts payable – trade	181,279	154,313
Deposits for banking business	1,505,946	1,665,228
Financial liabilities for securities business	1,059,639	1,226,239
Derivative liabilities	6,598	6,728
Bonds and borrowings	711,104	885,083
Other financial liabilities	297,489	306,304
Income taxes payable	12,674	22,542
Provisions	65,235	66,082
Insurance business policy reserve	21,474	20,707
Deferred tax liabilities	18,272	18,153
Other liabilities	42,472	44,543
Total liabilities	3,922,182	4,415,922
Equity		
Equity attributable to owners of the parent company		
Common stock	204,562	205,340
Capital surplus	211,785	214,187
Retained earnings	216,866	250,816
Treasury stock	(3,627)	(60,780)
Other components of equity	52,805	39,239
Total equity attributable to owners of the parent company	682,391	648,802
Non-controlling interests	99	61
Total equity	682,490	648,863
Total liabilities and equity	4,604,672	5,064,785

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

Consolidated Statement of Income (Summary)

(For the six months ended June 30, 2016 and 2017)

(Millions of yen)

	Six months ended June 30, 2016 (January 1 to June 30, 2016)	Six months ended June 30, 2017 (January 1 to June 30, 2017)
Continuing Operations		
Revenue	368,906	440,090
Operating expenses	318,945	386,727
Other income	3,511	17,872
Other expenses	4,177	2,619
Operating income	49,295	68,616
Financial income	112	129
Financial expenses	1,925	1,700
Share of income (loss) of associates and joint ventures	150	(3,625)
Income before income tax	47,632	63,420
Income tax expense	20,666	23,184
Net income	26,966	40,236
Net income attributable to:		
Owners of the parent company	26,985	40,315
Non-controlling interests	(19)	(79)
Net income	26,966	40,236
(Yen)		
Earnings per share attributable to owners of the parent company		
Basic	18.94	28.67
Diluted	18.83	28.44

Consolidated Statement of Income (Summary)
(For the three months ended June 30, 2016 and 2017)

(Millions of yen)

	Three months ended June 30, 2016 (April 1 to June 30, 2016)	Three months ended June 30, 2017 (April 1 to June 30, 2017)
Continuing Operations		
Revenue	188,606	228,013
Operating expenses	161,285	199,114
Other income	1,806	684
Other expenses	3,171	1,383
Operating income	25,956	28,200
Financial income	74	73
Financial expenses	975	943
Share of income (loss) of associates and joint ventures	(49)	(2,124)
Income before income tax	25,006	25,206
Income tax expense	10,130	10,000
Net income	14,876	15,206
Net income attributable to:		
Owners of the parent company	14,899	15,255
Non-controlling interests	(23)	(49)
Net income	14,876	15,206
(Yen)		
Earnings per share attributable to owners of the parent company		
Basic	10.45	10.96
Diluted	10.40	10.87

Consolidated Statement of Comprehensive Income (Summary)
(For the six months ended June 30, 2016 and 2017)

(Millions of yen)

	Six months ended June 30, 2016 (January 1 to June 30, 2016)	Six months ended June 30, 2017 (January 1 to June 30, 2017)
Net income	26,966	40,236
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	(2,742)	(1,806)
Income tax effect of gains and losses on financial assets measured at fair value through other comprehensive income	(128)	227
Remeasurement of insurance business policy reserves based on current market interest rates	(11,994)	1,424
Income tax effect of remeasurement of insurance business policy reserves based on current market interest rates	3,372	(402)
Share of other comprehensive income of associates and joint ventures	5	2
Total items that will not be reclassified to net income	(11,487)	(555)
Items that will be reclassified to net income		
Foreign currency translation adjustments	(67,548)	(12,398)
Gains (losses) on cash flow hedges recognized in other comprehensive income	(442)	(593)
Income tax effect of gains or losses on cash flow hedges recognized in other comprehensive income	129	77
Gains (losses) on cash flow hedges reclassified from other comprehensive income to net income	215	199
Income tax effect of gains or losses on cash flow hedges reclassified from other comprehensive income to net income	(65)	(69)
Share of other comprehensive income of associates and joint ventures	(297)	(75)
Total items that will be reclassified to net income	(68,008)	(12,859)
Other comprehensive income, net of tax	(79,495)	(13,414)
Comprehensive income	(52,529)	26,822
Comprehensive income attributable to:		
Owners of the parent company	(52,515)	26,901
Non-controlling interests	(14)	(79)
Comprehensive income	(52,529)	26,822

Consolidated Statement of Comprehensive Income (Summary)
(For the three months ended June 30, 2016 and 2017)

(Millions of yen)

	Three months ended June 30, 2016 (April 1 to June 30, 2016)	Three months ended June 30, 2017 (April 1 to June 30, 2017)
Net income	14,876	15,206
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	(3,878)	579
Income tax effect of gains and losses on financial assets measured at fair value through other comprehensive income	836	(229)
Remeasurement of insurance business policy reserves based on current market interest rates	(6,480)	71
Income tax effect of remeasurement of insurance business policy reserves based on current market interest rates	1,830	(20)
Share of other comprehensive income of associates and joint ventures	6	(1)
Total items that will not be reclassified to net income	(7,686)	400
Items that will be reclassified to net income		
Foreign currency translation adjustments	(38,593)	8,096
Gains (losses) on cash flow hedges recognized in other comprehensive income	(20)	(219)
Income tax effect of gains or losses on cash flow hedges recognized in other comprehensive income	12	7
Gains (losses) on cash flow hedges reclassified from other comprehensive income to net income	121	106
Income tax effect of gains or losses on cash flow hedges reclassified from other comprehensive income to net income	(36)	(37)
Share of other comprehensive income of associates and joint ventures	(227)	183
Total items that will be reclassified to net income	(38,743)	8,136
Other comprehensive income, net of tax	(46,429)	8,536
Comprehensive income	(31,553)	23,742
Comprehensive income attributable to:		
Owners of the parent company	(31,533)	23,792
Non-controlling interests	(20)	(50)
Comprehensive income	(31,553)	23,742

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

(Millions of yen)

	Other components of equity											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	Remeasurement of insurance business policy reserves based on current market interest rates	Total other components of equity	Total equity attributable to owners of the parent company	Non-controlling interests	
As of January 1, 2016	203,588	208,677	182,711	(3,627)	40,477	36,581	(486)	(1,810)	74,762	666,111	1,969	668,080
Comprehensive income												
Net income	—	—	26,985	—	—	—	—	—	—	26,985	(19)	26,966
Other comprehensive income net of tax	—	—	—	—	(67,851)	(2,865)	(162)	(8,622)	(79,500)	(79,500)	5	(79,495)
Total comprehensive income	—	—	26,985	—	(67,851)	(2,865)	(162)	(8,622)	(79,500)	(52,515)	(14)	(52,529)
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)	—	—	—
Purchase of treasury stock	—	—	—	—	—	—	—	—	—	—	—	—
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	205,446	(3,627)	(27,374)	30,078	(648)	(10,432)	(8,376)	606,552	991	607,543
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)
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

(4) Consolidated Statement of Cash Flows (Summary)

	(Millions of Yen)	
	Six months ended June 30, 2016 (January 1 to June 30, 2016)	Six months ended June 30, 2017 (January 1 to June 30, 2017)
Cash flows from operating activities		
Income before income tax	47,632	63,420
Depreciation and amortization	21,858	25,179
Other loss (income)	6,760	(6,157)
Decrease (Increase) in operating receivables	13,091	14,242
Decrease (Increase) in loans for credit card business	(48,564)	(32,669)
Increase (Decrease) in deposits for banking business	9,317	159,282
Net decrease (increase) in call loans for banking business	13,000	(10,000)
Decrease (Increase) in loans for banking business	(61,464)	(93,781)
Increase (Decrease) in operating payables	(25,564)	(27,007)
Decrease (Increase) in financial assets for securities business	86,144	(178,234)
Increase (Decrease) in financial liabilities for securities business	(55,317)	166,869
Others	(2,205)	(26,460)
Income tax paid	(26,410)	(7,400)
Net cash flows from (used in) operating activities	(21,722)	47,284
Cash flows from investing activities		
Increase in restricted deposits	(7)	(11,485)
Decrease in restricted deposits	12,624	11,487
Increase in time deposits	(10,244)	(6,669)
Decrease in time deposits	8,932	14,864
Purchase of property, plant and equipment	(7,086)	(25,191)
Purchase of intangible assets	(20,285)	(21,885)
Acquisition of subsidiaries	(15,013)	(5,092)
Acquisition of investments in associates and joint ventures	(17,615)	(12,446)
Purchase of investment securities for banking business	(149,464)	(151,137)
Proceeds from sales and redemption of investment securities for banking business	212,435	124,835
Purchase of investment securities for insurance business	(5,395)	(11,137)
Proceeds from sales and redemption of investment securities for insurance business	6,147	7,526
Purchase of investment securities	(11,496)	(30,658)
Proceeds from sales and redemption of investment securities	6,132	7,047
Other payments	(2,514)	(8,015)
Other proceeds	1,496	2,037
Net cash flows from (used in) investing activities	8,647	(115,919)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(7,106)	38,012
Increase (Decrease) in commercial papers	2,000	49,000
Proceeds from long-term debt	99,500	122,118
Repayment of long-term debt	(49,808)	(105,159)
Proceeds from issuance of bonds	39,796	99,541
Redemption of bonds	(150)	(30,150)
Cash dividends paid	(6,403)	(6,416)
Purchase of treasury stock	(0)	(57,177)
Others	(4,279)	(1,151)
Net cash flows from financing activities	73,550	108,618
Effect of change in exchange rates on cash and cash equivalents	(6,758)	782
Net increase (decrease) in cash and cash equivalents	53,717	40,765

(Millions of Yen)

	Six months ended June 30, 2016 (January 1 to June 30, 2016)	Six months ended June 30, 2017 (January 1 to June 30, 2017)
Cash and cash equivalents at the beginning of the year	501,029	548,269
Cash and cash equivalents at the end of the period	554,746	589,034

(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, 2017

(Basis of preparation)

The Rakuten Group's summary of consolidated financial statements for the six months ended June 30, 2017 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 statements, it ought to be used in combination with the consolidated financial statements for the fiscal year ended December 31, 2016.

(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, 2017 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, 2017 is calculated based upon estimated annual effective tax rate.

Change in method of estimating insurance business policy reserves

With regard to insurance business policy reserves, the Rakuten Group has previously applied the method of measuring of insurance liabilities prescribed by laws and regulations that apply to insurance contracts in Japan. However, from the six months ended June 30, 2017, in order to measure insurance liabilities according to discount rates based on current market interest and reflect the time value of money, the Rakuten Group has changed to a method that recognizes interest arising from the book value of insurance liabilities during the reporting period under net income, and the amount of fluctuation in insurance liabilities associated with other fluctuations in the discount rate under other comprehensive income.

This change is made in order to reflect in a timely manner, market environment changes in the consolidated financial statements.

This change in accounting policy is applied retroactively, and the quarterly financial statements for the six months ended June 30, 2016, and the financial statements for the fiscal year ended December 31, 2016, have been prepared after retroactive application of the change.

As a result, compared to before the retroactive application of the change, operating expenses for the six months ended June 30, 2016 decreased by ¥511 million, and net income increased by ¥417 million. In addition, other comprehensive income, net of tax for the six months ended June 30, 2016 decreased by ¥8,622 million. When the cumulative effect of the change is reflected in equity attributable to owners of the parent company as of January 1, 2016, the balance of retained earnings as of January 1, 2016 increased by ¥5,877 million, whereas the balance of other components of equity as of January 1, 2016 decreased by ¥1,810 million.

Insurance accounting

Policy Reserves and Others for Insurance Business

In order to measure insurance liabilities according to discount rates based on market interest and reflect the time value of money, the Rakuten Group recognizes interest arising from the book value of insurance liabilities during the reporting period under net income, and the amount of fluctuation in insurance liabilities associated with other fluctuations in the discount rate under other comprehensive income.

A liability adequacy test is performed in consideration of current estimates of cash inflows, such as related insurance premiums and investment income, and cash outflows such as insurance claims and benefits and operating expenses. If the test shows that the liability is inadequate, the entire deficiency is recognized in the consolidated statement of income.

Significant accounting estimates and judgments

Preparation of the summary of consolidated financial statements under IFRS for the six months ended June 30, 2017 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 six months ended June 30, 2017 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 Global Innovation Company engaged in the two main activities of Internet Services and FinTech, the Group Companies were previously organized into three reportable segments: "Internet Services", "FinTech" and "Others". From the third quarter of the previous fiscal year, 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.

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 business for advertising etc. on these sites. Additionally this segment includes businesses for the provision of messaging and communication services and management of professional sports teams.

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 the significant accounting policies of the previous fiscal year. 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 tend to differ depending on the standards applied, 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, 2016 (January 1 to June 30, 2016)

(Millions of Yen)

	Internet Services	FinTech	Total
Segment Revenue	258,790	145,745	404,535
Segment Profit (Loss)	25,637	33,640	59,277

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

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

(Millions of Yen)

	Internet Services	FinTech	Total
Segment Revenue	133,218	74,201	207,419
Segment Profit (Loss)	13,800	17,971	31,771

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

Reconciliation from Segment Revenue to Consolidated Revenue

(Millions of Yen)

	Six months ended June 30, 2016 (January 1 to June 30, 2016)	Six months ended June 30, 2017 (January 1 to June 30, 2017)
Segment Revenue	404,535	472,378
Intercompany transactions, etc.	(35,629)	(32,288)

Consolidated Revenue	368,906	440,090
----------------------	---------	---------

	Three months ended June 30, 2016 (April 1 to June 30, 2016)	Three months ended June 30, 2017 (April 1 to June 30, 2017)
Segment Revenue	207,419	245,332
Intercompany transactions, etc.	(18,813)	(17,319)
Consolidated Revenue	188,606	228,013

Reconciliation from Segment Profit to Income Before Income Tax

(Millions of Yen)

	Six months ended June 30, 2016 (January 1 to June 30, 2016)	Six months ended June 30, 2017 (January 1 to June 30, 2017)
Segment Profit	59,277	76,794
Intercompany transactions, etc.*	(388)	(1,053)
Non-GAAP Operating Income*	58,889	75,741
Amortization of Intangible Assets (PPA)	(4,051)	(3,552)
Stock Based Compensation	(3,501)	(3,573)
One-off Items	(2,042)	—
Operating income*	49,295	68,616
Financial income and expenses	(1,813)	(1,571)
Share of income (loss) of associates and joint ventures	150	(3,625)
Income before income tax*	47,632	63,420

	Three months ended June 30, 2016 (April 1 to June 30, 2016)	Three months ended June 30, 2017 (April 1 to June 30, 2017)
Segment Profit	31,771	33,214
Intercompany transactions, etc.*	17	(1,324)
Non-GAAP Operating Income*	31,788	31,890
Amortization of Intangible Assets (PPA)	(2,037)	(1,994)
Stock Based Compensation	(1,753)	(1,696)
One-off Items	(2,042)	—
Operating income*	25,956	28,200
Financial income and expenses	(901)	(870)
Share of income (loss) of associates and joint ventures	(49)	(2,124)
Income before income tax*	25,006	25,206

*Note: As stated in "Significant accounting policies," although the Rakuten Group has changed the method of measuring insurance liabilities in relation to insurance business policy reserves, this is not applied retroactively to segment profit or loss for the six months ended June 30, 2016. An adjustment to Non-GAAP operating income of ¥511 million and 106 million are included in intercompany transactions respectively, etc. As a result, compared to before the retroactive application, for the six months ended June 30, 2016, intercompany transactions, etc., Non-GAAP operating income, operating income, and income before income taxes each increased by ¥511 million and 106 million respectively.

One-off items recorded in the same period of the previous fiscal year include expenses associated with the strategic review of European business.

Breakdown of Operating Expenses

(Millions of Yen)

	Six months ended June 30, 2016 (January 1 to June 30, 2016)	Six months ended June 30, 2017 (January 1 to June 30, 2017)
Advertising and promotion expenditures	53,424	66,029
Employee benefits expenses	72,331	78,468
Depreciation and amortization	21,858	25,179
Communication and maintenance expenses	10,184	10,794
Consignment and subcontract expenses	19,106	21,475
Allowance for doubtful accounts charged to expenses	13,358	13,548
Cost of sales of merchandise and service revenue	70,294	103,022
Interest expense for finance business	3,036	2,636
Commission expense for finance business	4,248	4,799
Insurance claims and other payments, and provision of policy reserves and others for insurance business	8,045	7,051
Others	43,061	53,726
Total	318,945	386,727

	Three months ended June 30, 2016 (April 1 to June 30, 2016)	Three months ended June 30, 2017 (April 1 to June 30, 2017)
Advertising and promotion expenditures	27,042	33,855
Employee benefits expenses	35,931	39,463
Depreciation and amortization	11,127	13,232
Communication and maintenance expenses	5,094	5,465
Consignment and subcontract expenses	9,850	11,072
Allowance for doubtful accounts charged to expenses	6,771	7,142
Cost of sales of merchandise and service revenue	36,287	54,628
Interest expense for finance business	1,483	1,372

Commission expense for finance business	2,171	2,450
Insurance claims and other payments, and provision of policy reserves and others for insurance business	4,117	3,392
Others	21,412	27,043
Total	161,285	199,114

Notes on significant subsequent events

No items to report