

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

Consolidated Financial Reports (IFRS) For the Fiscal Year ended December 31, 2017

Rakuten, Inc.
February 13, 2018

Company name	Rakuten, Inc.	Listed	Tokyo Stock Exchange
Code No	4755	URL	https://www.rakuten.co.jp/
Representative	Chairman and CEO	(Name)	Hiroshi Mikitani
Contact person	CFO	(Name)	Yoshihisa Yamada
Scheduled date of the Annual General Meeting of Shareholders:	March 29, 2018		
Scheduled date for commencement of dividend payment:	March 12, 2018		
Scheduled date for filing of securities report:	March 29, 2018		
Supplementary materials for financial results:	Yes		
Financial results information meeting held:	Yes (For institutional investors and analysts)		

1. Consolidated Results for the Fiscal Year ended December 31, 2017 (January 1 – December 31, 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	%
Fiscal year ended December 31, 2017	944,474	20.8	149,344	90.2	138,082	85.5	110,488	187.5
Fiscal year ended December 31, 2016	781,916	9.6	78,512	—	74,458	—	38,435	—

	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
Fiscal year ended December 31, 2017	110,585	187.8	100,981	402.2	80.03	79.28
Fiscal year ended December 31, 2016	38,429	—	20,106	—	26.96	26.74

	ROE (Return on equity attributable to owners of the parent company)	ROA (Ratio of income before income tax to total assets)	OP margin (Ratio of operating income to revenue)
	%	%	%
Fiscal year ended December 31, 2017	16.2	2.6	15.8
Fiscal year ended December 31, 2016	5.7	1.7	10.0

(Notes)

Share of income (loss) of associates and joint ventures: (8,349) million yen (Fiscal year ended December 31, 2017)
(809) million yen (Fiscal year ended December 31, 2016)

(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	Total equity attributable to owners of the parent company per Share
	Millions of yen	Millions of yen	Millions of yen	%	Yen
As of December 31, 2017	6,184,299	683,408	683,181	11.0	507.32
As of December 31, 2016	4,604,672	682,490	682,391	14.8	478.40

(3) Consolidated Cash Flows

	Net Cash Flows from Operating Activities	Net Cash Flows from Investment Activities	Net Cash Flows from Financing Activities	Cash and Cash Equivalents, End of Year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended December 31, 2017	162,056	(203,718)	194,458	700,881
Fiscal year ended December 31, 2016	30,700	(26,841)	45,200	548,269

2. Dividend Distribution

	Dividend per Share					Total Dividend (Year)	Dividend Ratio (Consolidated)	Ratio of Dividend to total equity attributable to owners of the parent company (Consolidated)
	1Q	2Q	3Q	4Q	Year			
	Yen	Yen	Yen	Yen	Yen	Millions of Yen	%	%
FY2016	—	0.00	—	4.50	4.50	6,419	16.7	1.0
FY2017	—	0.00	—	4.50	4.50	6,060	5.6	0.9
FY2018 (Forecast)	—	—	—	—	—		—	

Note: Dividend per share for the fiscal year ending December 31, 2018 has not been decided yet.

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

For the estimate of consolidated operating results for Fiscal 2018, double-digit growth from Fiscal 2017 is targeted for consolidated revenue excluding the securities business whose results are heavily impacted by stock market conditions. For details, see page P. 7 1. Analysis Concerning Business Results and Financial Position (1) Analysis Concerning Business Results (v) Outlook for the Coming Year.

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

(3) Number of shares issued (Common stock)

1. Total number of shares issued at the end of the year (including treasury stocks)
1,434,573,900 shares (As of December 31, 2017)
1,432,422,600 shares (As of December 31, 2016)
2. Number of treasury stocks at the end of the year
87,913,138 shares (As of December 31, 2017)
6,008,888 shares (As of December 31, 2016)
3. Average number of shares during the year (cumulative from the beginning of the year)
1,381,860,455 shares (January 1 – December 31, 2017)
1,425,487,228 shares (January 1 – December 31, 2016)

This financial report is not subject to audit**Explanation about the appropriate use of earnings forecasts, and other special matters**

Consolidated forecasts for the year ending December 31, 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. Overview of Business Results, etc.

(1) Overview of Business Results, etc

The Rakuten Group discloses consolidated business results in terms of both its internal measures which the management relies upon in making decisions (hereinafter “Non-GAAP financial measures”) and those under IFRS.

Non-GAAP operating income is operating income under IFRS (hereinafter “IFRS operating income”) after deducting unusual items and other adjustments as prescribed by the Rakuten Group. Management believes that the disclosure of Non-GAAP financial measures facilitates comparison between the Rakuten Group and peer companies in the same industry, in addition to 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 Fiscal Year ended December 31, 2017 (Non-GAAP basis)

The world economy during the fiscal year ended December 31, 2017 has been recovering gradually, mainly in the U.S., although attention must be paid to factors including the outlook for China and other emerging Asian nations and uncertainty regarding government policies. The Japanese economy also saw an ongoing gradual recovery trend amid continuing improvement in the wage and employment environment, as a result of increased capital investment and production by companies.

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

Under such an environment, the Rakuten Group is at the forefront of corporate efforts to combine knowledge from these fields in order to accelerate the development of businesses that bring together membership, Big Data, and brands. New business portfolios such as the MVNO (Mobile Virtual Network Operator) services business, C2C business, sharing economy services, ad technology, InsurTech, and investment business are growing steadily. 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 aggressively implementing various measures. These include sales promotion activities to cultivate loyal customers and win new users, programs aimed at improving customer satisfaction, and strategies to enhance services for smart devices, further opening up the Rakuten Ecosystem. Results are on track for an improvement in overseas Internet services, due to contributions from the steady growth in U.S. subsidiary Ebates Inc. (“Ebates”) and other factors. The Rakuten Group is also making investments in companies that have new technologies or innovative business models, and has recorded unrealized gains on stocks and also gain on sales related to these investments. In the FinTech segment, further expansion of Rakuten Card’s membership base brought in more commission income, while expansion of banking services and the strong domestic stock market had a positive effect on securities 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 ¥944,474 million, up 20.8% year-on-year, for the fiscal year ended December 31, 2017, and Non-GAAP operating income increased by 39.6% year-on-year to ¥167,010 million.

(Non-GAAP)

(Millions of yen)

	Fiscal year ended December 31, 2016	Fiscal year ended December 31, 2017	Amount Change YoY	% Change YoY
Revenue	781,916	944,474	162,558	20.8%
Non-GAAP Operating Income	119,615	167,010	47,395	39.6%

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

For the fiscal year ended December 31, 2017, amortization of intangible assets of ¥7,758 million and stock-based compensation expenses of ¥7,509 million were excluded from Non-GAAP operating income. In addition, an impairment loss on fixed assets of ¥2,399 million was regarded as a one-off item. One-off items to the amount of ¥25,970 million in the previous fiscal year includes impairment losses on goodwill, intangible assets and others.

(Millions of yen)

	Fiscal year ended December 31, 2016	Fiscal year ended December 31, 2017	Amount Change YoY
Non-GAAP operating income	119,615	167,010	47,395
Amortization of intangible assets (PPA)	(7,789)	(7,758)	31
Stock based compensation	(7,344)	(7,509)	(165)
One-off items	(25,970)	(2,399)	23,571
Operating Income	78,512	149,344	70,832

iii) Business Results for the Fiscal Year ended December 31, 2017 (IFRS basis)

The Rakuten Group recorded revenue of ¥944,474 million, up 20.8% year-on-year, operating income of ¥149,344 million, up 90.2% year-on-year, and net income attributable to owners of the parent company of ¥110,585 million, up 187.8% year-on-year, for the fiscal year ended December 31, 2017.

(IFRS)

(Millions of yen)

	Fiscal year ended December 31, 2016	Fiscal year ended December 31, 2017	Amount Change YoY	% Change YoY
Revenue	781,916	944,474	162,558	20.8%
Operating Income	78,512	149,344	70,832	90.2%
Net Income attributable to owners of the parent company	38,429	110,585	72,156	187.8%

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 fiscal year ended December 31, 2017, revenue increased significantly in the mainstay domestic e-commerce services, partly due to the contribution of Soukai Drug Co., Ltd. (currently Rakuten Direct, Inc.) acquired in the previous year. With the aim of further revenue growth, the Rakuten Group actively worked on various initiatives, including cultivating a loyal customer base, conducting sales activities in order to win new users as well as initiatives targeting greater customer satisfaction, strengthening services for smart devices and opening up the Rakuten Ecosystem. As a result of these efforts, expenses associated with sales activities increased. 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 the introduction of new services as well as their full-scale aggressive sales activities. The Rakuten Group is also making investments in companies that have new technologies or innovative business models, and has recorded unrealized gains on stocks and gains on sales of stocks related to these investments.

As a result, revenue for the Internet Service segment rose to ¥680,306 million, a 21.4% year-on-year increase, and segment profit stood at ¥100,762 million, a 81.3% year-on-year increase.

(Millions of yen)

	Fiscal year ended December 31, 2016	Fiscal year ended December 31, 2017	Amount Change YoY	% Change YoY
Segment Revenue	560,555	680,306	119,751	21.4%
Segment Profit	55,568	100,762	45,194	81.3%

FinTech

In the FinTech segment for the fiscal year ended December 31, 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. Excluding this incremental expense of system installation, profit from said services has shown a solid 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 expanding loan balances and improvements in cost efficiency. In securities services, stock trading commissions increased owing to a recovery in the domestic stock market with revenue and profit both growing year on year.

As a result, the FinTech segment recorded ¥333,161 million in revenue, a 12.5% year-on-year increase, while segment profit stood at ¥72,811 million, a 11.0% year-on-year increase.

(Millions of yen)

	Fiscal year ended December 31, 2016	Fiscal year ended December 31, 2017	Amount Change YoY	% Change YoY
Segment Revenue	296,066	333,161	37,095	12.5%
Segment Profit	65,587	72,811	7,224	11.0%

(2) Overview of Financial Position for the Fiscal Year Ended December 31, 2017

Assets

Total assets as of December 31, 2017 amounted to ¥6,184,299 million, an increase of ¥1,579,627 million from ¥4,604,672 million at the end of the previous fiscal year. The primary factors were an increase of ¥768,473 million in financial assets for securities business, an increase of ¥208,487 million in loans for credit card business, an increase of ¥167,619 million in loans for banking business, and an increase of ¥152,612 million in cash and cash equivalents.

Liabilities

Total liabilities as of December 31, 2017 amounted to ¥5,500,891 million, an increase of ¥1,578,709 million from ¥3,922,182 million at the end of the previous fiscal year. The primary factors were an increase of ¥730,749 million in financial liabilities for securities business, an increase of ¥440,196 million in deposits for banking business, and an increase of ¥304,677 million in bonds and borrowings.

Equity

Equity as of December 31, 2017 was ¥683,408 million, an increase of ¥918 million from ¥682,490 million at the end of the previous fiscal year. The primary factors were a decrease of ¥99,989 million due to acquisition on treasury stock, which was offset by an increase of ¥103,531 million in retained earnings resulting from the recognition of ¥110,585 million of net income attributable to owners of the parent company for the fiscal year ended December 31, 2017.

(3) Overview of Cash Flows for the Fiscal Year Ended December 31, 2017

Cash and cash equivalents as of December 31, 2017 was ¥700,881 million, an increase of ¥152,612 million from the end of the previous fiscal year. Among these, deposits with the Bank of Japan for banking business were ¥475,678 million, an increase of ¥98,799 million from the end of the previous fiscal year. Cash flow conditions and their major factors for the fiscal year ended December 31, 2017 are as follows.

Net cash flows from operating activities

Net cash flows from operating activities for the fiscal year ended December 31, 2017 resulted in a cash inflow of ¥162,056 million (The previous fiscal year resulted in a cash inflow of ¥30,700 million). Primary factors included a cash outflow of ¥208,144 million due to an increase in loans for credit card business, a cash outflow of ¥167,619 million due to an increase in loans for banking business, and a net cash outflow of ¥37,754 million from fluctuations of financial assets and liabilities for securities business (a cash outflow of ¥768,747 million for an increase in financial assets for securities business and a cash inflow of ¥730,993 million for an increase in financial liabilities for securities business), which were offset by a cash inflow of ¥439,818 million from an increase in deposits for banking business, and the recognition of ¥138,082 million for income before income tax and ¥54,376 million in depreciation and amortization.

Net cash flows from investing activities

Net cash flow from investing activities for the fiscal year ended December 31, 2017 resulted in a cash outflow of ¥203,718 million (The previous fiscal year resulted in a cash outflow of ¥26,841 million). Primary factors included a net cash outflow of ¥50,041 million for purchase and sale, etc. of investment securities (a cash outflow of ¥61,937 million for purchase of investment securities and a cash inflow of ¥11,896 million from sales and redemption of investment securities), a cash outflow of ¥46,624 million due to purchase of intangible assets including software, a net cash outflow of ¥46,148 million for purchase and sale, etc. of investment securities for banking business (a cash outflow of ¥312,593 million for purchase of investment securities for banking business and a cash inflow of ¥266,445 million from sales and redemption of investment securities), and a cash outflow of ¥31,874 million due to purchase of property, plant and equipment including buildings.

Net cash flows from financing activities

Net cash flows from financing activities for the fiscal year ended December 31, 2017 resulted in a cash inflow of ¥194,458 million (The previous fiscal year resulted in a cash inflow of ¥45,200 million). Primary factors included a cash outflow of ¥240,473 million for repayment of long-term debt, a cash outflow of ¥100,133 million due to purchase of treasury stock, and a cash outflow of ¥30,300 million from redemption of bonds, which were offset by a cash inflow of ¥364,573 million from long-term debt, a cash inflow of ¥99,541 million from issuance of bonds, and a cash inflow of ¥66,039 million from an increase in short-term borrowings.

(Reference) Cash Flows Index

	FY2016	FY2017
Ratio of total equity attributable to owners of the parent company to total assets (%)	14.8	11.0
Ratio of total equity attributable to owners of the parent company to market capitalization (%)	35.5	22.5
Ratio of cash flows to interest-bearing liabilities (X)	23.2	6.3
Interest coverage ratio (X)	12.3	84.3

(Notes)

1. Ratio of total equity attributable to owners of the parent company to total assets: total equity attributable to owners of the parent company/total assets
2. Ratio of total equity attributable to owners of the parent company to market capitalization: aggregate market value of shares/total assets
3. Ratio of cash flows to interest-bearing liabilities: interest-bearing liabilities/cash flows
4. Interest coverage ratio: cash flows/interest payments
 - (1) All ratios were calculated using consolidated financial figures.
 - (2) Market capitalization is calculated as the market value of shares at the end of the year multiplied by the total number of shares issued and outstanding at the end of the year.
 - (3) "Cash flow" stands for cash flows from operating activities.

(4) Future Outlook

For the forecast of consolidated operating results for Fiscal 2018 (next fiscal year), the Rakuten Group aims at double-digit growth from Fiscal 2017 for consolidated revenue, excluding results from the securities business which are impacted substantially by the stock market.

Internet Services

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

In overseas services, we will aim to increase revenue through further growth 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. In banking services, a solid expansion of operations is expected due to steady accumulation of loan balances. Meanwhile, expenses are expected to grow in both of these services due to changes in accounting standards (IFRS 9). It is difficult to make a forecast for securities services due to the substantial impact of stock market conditions. In insurance services, revenue and operating income are expected to

increase, once Asahi Fire & Marine Insurance Co., Ltd. becomes a subsidiary in March 2018.

(5) Policy Concerning Decisions on Profit Distributions and Dividend Forecast

As for the policy for shareholder return, the Company strives to pay stable and continuous dividends, while taking into account the importance of making investments for medium-to long-term growth and ensuring sufficient internal reserves for the purpose of stabilizing our financial base. With respect to the required level of shareholders' equity, the Company's basic philosophy is as follows.

- Prepare a financial basis sound enough for the Company to capture growing business opportunities quickly and reliably
- Ensure sufficiency in comparison with associated risks of business activities and assets
- Maintain the level of financial rating required for stable financing, while sustaining the level of shareholders equity in compliance with regulatory requirements

For the current fiscal year, the Company decided to pay a dividend of ¥4.5 per share (¥4.5 per share for the previous fiscal year) at the Meeting of the Board of Directors held on February 13, 2018, in accordance with the aforementioned basic policy.

(Reference) Trends in dividend per share (after adjustment for share split)

	Fiscal year ended December 31, 2013	Fiscal year ended December 31, 2014	Fiscal year ended December 31, 2015	Fiscal year ended December 31, 2016	Fiscal year ended December 31, 2017
Dividend per share (yen)	4.00	4.50	4.50	4.50	4.50

Purchase of treasury stock will be determined flexibly, as a financial measure for the purpose of contributing to the enhancement of shareholder value.

(Reason for difficulty in making a dividend forecast)

The company's policy to maintain stable dividends runs alongside our desire to retain sufficient income to build the reserves needed to develop our operations and maintain a sound financial structure. Allowing for flexible judgment in the fiscal year ending December 31, 2018, a dividend forecast is not provided.

2. Basic Policy on the Selection of Accounting Standards

The Group has adopted International Financial Reporting Standard (IFRS) from Fiscal 2013, for the purpose of enhancing comparability with the financial information of overseas companies in the same industry, expanding the scope of financing options, and unification of accounting treatment across the Group.

3. Consolidated Financial Statements

(1) Consolidated Statement of Financial Position

	(Millions of yen)	
	As of December 31, 2016	As of December 31, 2017
(Assets)		
Cash and cash equivalents	548,269	700,881
Accounts receivable – trade	117,088	128,057
Financial assets for securities business	1,120,684	1,889,157
Loans for credit card business	1,014,708	1,223,195
Investment securities for banking business	157,315	203,161
Loans for banking business	585,800	753,419
Investment securities for insurance business	18,071	21,803
Derivative assets	21,813	19,978
Investment securities	173,076	261,588
Other financial assets	137,678	176,427
Investments in associates and joint ventures	41,130	54,481
Property, plant and equipment	53,271	73,171
Intangible assets	506,087	526,862
Deferred tax assets	25,681	36,472
Other assets	84,001	115,647
Total assets	4,604,672	6,184,299

(Millions of yen)

	As of December 31, 2016	As of December 31, 2017
Liabilities		
Accounts payable – trade	181,279	202,874
Deposits for banking business	1,505,946	1,946,142
Financial liabilities for securities business	1,059,639	1,790,388
Derivative liabilities	6,598	6,918
Bonds and borrowings	711,104	1,015,781
Other financial liabilities	297,489	351,779
Income taxes payable	12,674	13,264
Provisions	65,235	76,104
Policy reserves and others for insurance business	21,474	22,050
Deferred tax liabilities	18,272	30,541
Other liabilities	42,472	45,050
Total liabilities	3,922,182	5,500,891
Equity		
Equity attributable to owners of the parent company		
Common stock	204,562	205,924
Capital surplus	211,785	217,185
Retained earnings	216,866	320,397
Treasury stock	(3,627)	(103,616)
Other components of equity	52,805	43,291
Total equity attributable to owners of the parent company	682,391	683,181
Non-controlling interests	99	227
Total equity	682,490	683,408
Total liabilities and equity	4,604,672	6,184,299

(2) Consolidated Statements of Income and Comprehensive Income
Consolidated Statement of Income
(For the fiscal years ended December 31, 2016 and 2017)

(Millions of yen)

	Fiscal year ended December 31, 2016 (January 1 to December 31, 2016)	Fiscal year ended December 31, 2017 (January 1 to December 31, 2017)
Continuing Operations		
Revenue	781,916	944,474
Operating expenses	677,063	837,550
Other income	5,323	51,096
Other expenses	6,305	6,009
Impairment loss	25,359	2,667
Operating income	78,512	149,344
Financial income	256	410
Financial expenses	3,501	3,323
Share of loss of associates and joint ventures	809	8,349
Income before income tax	74,458	138,082
Income tax expense	36,023	27,594
Net income	38,435	110,488
Net income attributable to:		
Owners of the parent company	38,429	110,585
Non-controlling interests	6	(97)
Net income	38,435	110,488
(Yen)		
Earnings per share attributable to owners of the parent company		
Basic	26.96	80.03
Diluted	26.74	79.28

Consolidated Statement of Comprehensive Income
(For the fiscal years ended December 31, 2016 and 2017)

(Millions of yen)

	Fiscal year ended December 31, 2016 (January 1 to December 31, 2016)	Fiscal year ended December 31, 2017 (January 1 to December 31, 2017)
Net income	38,435	110,488
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	1,238	(1,849)
Income tax effect of gains and losses on financial assets measured at fair value through other comprehensive income	(495)	14
Remeasurement of insurance business policy reserves based on current market interest rates	(3,264)	936
Income tax effect of remeasurement of insurance business policy reserves based on current market interest rates	906	(265)
Share of other comprehensive income of associates and joint ventures	6	5
Total items that will not be reclassified to net income	(1,609)	(1,159)
Items that will be reclassified to net income		
Foreign currency translation adjustments	(16,817)	(8,053)
Gains (losses) on cash flow hedges recognized in other comprehensive income	(304)	(890)
Income tax effect of gains or losses on cash flow hedges recognized in other comprehensive income	116	143
Gains (losses) on cash flow hedges reclassified from other comprehensive income to net income	423	612
Income tax effect of gains or losses on cash flow hedges reclassified from other comprehensive income to net income	(137)	(141)
Share of other comprehensive income of associates and joint ventures	(1)	(19)
Total items that will be reclassified to net income	(16,720)	(8,348)
Other comprehensive income, net of tax	(18,329)	(9,507)
Comprehensive income	20,106	100,981
Comprehensive income attributable to:		
Owners of the parent company	20,099	101,078
Non-controlling interests	7	(97)
Comprehensive income	20,106	100,981

(3) Consolidated Statement of Changes in Equity

(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	Remeasurement of insurance business policy reserves based on current market interest rates				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
Cumulative effects of change in accounting policy	—	—	5,877	—	—	—	—	(1,810)	(1,810)	4,067	—	4,067
Restated Balance	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	—	—	38,429	—	—	—	—	—	—	38,429	6	38,435
Other comprehensive income net of tax	—	—	—	—	(16,819)	749	98	(2,358)	(18,330)	(18,330)	1	(18,329)
Total comprehensive income	—	—	38,429	—	(16,819)	749	98	(2,358)	(18,330)	20,099	7	20,106
Transactions with owners												
Contributions by and distributions to owners												
Issuance of common stock	974	975	—	—	—	—	—	—	—	1,949	—	1,949
Cash dividends paid	—	—	(6,410)	—	—	—	—	—	—	(6,410)	—	(6,410)
Reclassification from other components of equity to retained earnings	—	—	3,627	—	—	(3,627)	—	—	(3,627)	—	—	—
Purchase of treasury stock	—	—	—	(0)	—	—	—	—	—	(0)	—	(0)
Others	—	4,344	(1,491)	—	—	—	—	—	—	2,853	—	2,853
Total contributions by and distributions to owners	974	5,319	(4,274)	(0)	—	△3,627	—	—	(3,627)	(1,608)	—	(1,608)
Changes in ownership interests in subsidiaries												
Issuance of common stock	—	—	—	—	—	—	—	—	—	—	181	181
Acquisitions and disposals of non-controlling interests	—	(2,252)	—	—	—	—	—	—	—	(2,252)	(1,891)	(4,143)
Others	—	41	—	—	—	—	—	—	—	41	(167)	(126)
Total changes in ownership interests in subsidiaries	—	(2,211)	—	—	—	—	—	—	—	(2,211)	(1,877)	(4,088)
Total transactions with owners	974	3,108	(4,274)	(0)	—	(3,627)	—	—	(3,627)	(3,819)	(1,877)	(5,696)
As of December 31, 2016	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	—	—	110,585	—	—	—	—	—	—	110,585	(97)	110,488
Other comprehensive income net of tax	—	—	—	—	(8,072)	(1,830)	(276)	671	(9,507)	(9,507)	0	(9,507)
Total comprehensive income	—	—	110,585	—	(8,072)	(1,830)	(276)	671	(9,507)	101,078	(97)	100,981
Transactions with owners												
Contributions by and distributions to owners												
Issuance of common stock	1,362	1,362	—	—	—	—	—	—	—	2,724	—	2,724
Cash dividends paid	—	—	(6,419)	—	—	—	—	—	—	(6,419)	—	(6,419)
Reclassification from other components of equity to retained earnings	—	—	7	—	—	(7)	—	—	(7)	—	—	—
Purchase of treasury stock	—	—	—	(100,000)	—	—	—	—	—	(100,000)	—	(100,000)
Others	—	4,064	(642)	11	—	—	—	—	—	3,433	—	3,433
Total contributions by and distributions to owners	1,362	5,426	(7,054)	(99,989)	—	(7)	—	—	(7)	(100,262)	—	(100,262)
Changes in ownership interests in subsidiaries												
Issuance of common stock	—	—	—	—	—	—	—	—	—	—	98	98
Acquisitions and disposals of non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	—
Others	—	(26)	—	—	—	—	—	—	—	(26)	127	101
Total changes in ownership interests in subsidiaries	—	(26)	—	—	—	—	—	—	—	(26)	225	199
Total transactions with owners	1,362	5,400	(7,054)	(99,989)	—	(7)	—	—	(7)	(100,288)	225	(100,063)
As of December 31, 2017	205,924	217,185	320,397	(103,616)	15,586	31,866	(664)	(3,497)	43,291	683,181	227	683,408

(4) Consolidated Statement of Cash Flows

	(Millions of yen)	
	Fiscal year ended December 31, 2016 (January 1 to December 31, 2016)	Fiscal year ended December 31, 2017 (January 1 to December 31, 2017)
Cash flows from operating activities		
Income before income tax	74,458	138,082
Depreciation and amortization	44,257	54,376
Impairment loss	25,359	2,667
Other loss (income)	11,133	(25,076)
Decrease (Increase) in operating receivables	(10,702)	(9,242)
Decrease (Increase) in loans for credit card business	(180,741)	(208,144)
Increase (Decrease) in deposits for banking business	139,162	439,818
Decrease (Increase) in call loans for banking business	23,000	(25,000)
Decrease (Increase) in loans for banking business	(141,756)	(167,619)
Increase (Decrease) in operating payables	14,867	21,427
Decrease (Increase) in financial assets for securities business	(11,725)	(768,747)
Increase (Decrease) in financial liabilities for securities business	71,708	730,993
Others	24,944	4,855
Income tax paid	(53,264)	(26,334)
Net cash flows from operating activities	30,700	162,056
Cash flows from investing activities		
Increase in restricted deposits	(14)	(12,597)
Decrease in restricted deposits	21,203	12,036
Increase in time deposits	(17,681)	(8,903)
Decrease in time deposits	15,110	17,082
Purchase of property, plant and equipment	(12,657)	(31,874)
Purchase of intangible assets	(42,325)	(46,624)
Acquisition of subsidiaries	(33,612)	(5,776)
Acquisition of investments in associates and joint ventures	(19,401)	(20,576)
Purchase of investment securities for banking business	(249,291)	(312,593)
Proceeds from sales and redemption of investment securities for banking business	348,081	266,445
Purchase of investment securities for insurance business	(11,310)	(12,437)
Proceeds from sales and redemption of investment securities for insurance business	9,759	9,091
Purchase of investment securities	(53,213)	(61,937)
Proceeds from sales and redemption of investment securities	20,852	11,896
Other payments	(4,853)	(15,035)
Other proceeds	2,511	8,084
Net cash flows (used in) from investing activities	(26,841)	(203,718)
Cash flows from financing activities		
Net increase (Decrease) in short-term borrowings	(57,529)	66,039
Increase (Decrease) in commercial papers	28,000	44,000
Proceeds from long-term debt	212,100	364,573

(Millions of yen)

	Fiscal year ended December 31, 2016 (January 1 to December 31, 2016)	Fiscal year ended December 31, 2017 (January 1 to December 31, 2017)
Repayment of long-term debt	(163,832)	(240,473)
Proceeds from issuance of bonds	39,796	99,541
Redemption of bonds	(300)	(30,300)
Cash dividends paid	(6,408)	(6,420)
Purchase of treasury stock	(0)	(100,133)
Others	(6,627)	(2,369)
Net cash flows (used in) from financing activities	45,200	194,458
Effect of change in exchange rates on cash and cash equivalents	(1,819)	(184)
Net increase (Decrease)in cash and cash equivalents	47,240	152,612
Cash and cash equivalents at the beginning of the year	501,029	548,269
Cash and cash equivalents at the end of the year	548,269	700,881

(5) Assumptions for going concern

No items to report

(6) Notes to the summary of consolidated financial statements

(Changes in accounting policies)

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 fiscal year ended December 31, 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 financial statements for the fiscal year ended December 31, 2016 have been prepared after retroactive application of the change.

As a result, compared to amounts before the retroactive application of the change, operating expenses for the fiscal year ended December 31, 2016 decreased by ¥535 million, and net income increased by ¥434 million. In addition, other comprehensive income, net of tax for the fiscal year ended December 31, 2016 decreased by ¥2,358 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.

(Segment Information)

(1) General Information

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

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

The "Internet Services" segment comprises businesses running various EC (e-commerce) sites including internet shopping mall Rakuten Ichiba, online cash-back sites, travel booking sites, portal sites and digital content sites, along with 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. 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.

Fiscal year ended December 31, 2016 (January 1 to December 31, 2016)

(Millions of yen)

	Internet Services	FinTech	Total
Segment Revenue	560,555	296,066	856,621
Segment Profit	55,568	65,587	121,155
Other items			
Depreciation and amortization	31,738	16,333	48,071

Fiscal year ended December 31, 2017 (January 1 to December 31, 2017)

(Millions of yen)

	Internet Services	FinTech	Total
Segment Revenue	680,306	333,161	1,013,467
Segment Profit	100,762	72,811	173,573
Other items			
Depreciation and amortization	34,987	20,279	55,266

Reconciliation from Segment Revenue to Consolidated Revenue

(Millions of yen)

	Fiscal year ended December 31, 2016 (January 1 to December 31, 2016)	Fiscal year ended December 31, 2017 (January 1 to December 31, 2017)
Segment Revenue	856,621	1,013,467
Intercompany transactions, etc.	(74,705)	(68,993)
Consolidated Revenue	781,916	944,474

Reconciliation from Segment Profit to Income Before Income Tax

(Millions of yen)

	Fiscal year ended December 31, 2016 (January 1 to December 31, 2016)	Fiscal year ended December 31, 2017 (January 1 to December 31, 2017)
Segment Profit	121,155	173,573
Intercompany transactions, etc.	(1,540)	(6,563)
Non-GAAP Operating Income	119,615	167,010
Amortization of Intangible Assets (PPA)	(7,789)	(7,758)
Stock Based Compensation	(7,344)	(7,509)
One-off Items	(25,970)	(2,399)
Operating income	78,512	149,344
Financial income and expenses	(3,245)	(2,913)
Share of income of associates and joint ventures	(809)	(8,349)
Income before income tax	74,458	138,082

Note: As stated in (Changes in 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 fiscal year ended December 31, 2016. An adjustment to Non-GAAP operating income of ¥535 million is included in intercompany transactions. As a result, compared to before the retroactive application, for the fiscal year ended December 31, 2016, intercompany transactions, etc., Non-GAAP operating income, operating income, and income before income taxes each increased by ¥535 million.

One-off items of ¥25,970 million recorded in the fiscal year ended December 31, 2016 included the impairment loss of goodwill and intangible assets, and others. One-off items of ¥2,399 million recorded in the fiscal year ended December 31, 2017 include the impairment loss on fixed assets.

(3) Products and Services Information

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

(Millions of yen)

	Rakuten Ichiba and Rakuten Travel	Rakuten Card	Rakuten Bank	Others	Revenue from external customers
Fiscal year ended December 31, 2016	194,591	108,829	59,621	418,875	781,916
Fiscal year ended December 31, 2017	211,191	126,689	62,612	543,982	944,474

(4) Geographic Information

For the year ended December 31, 2016

(Millions of yen)

	Japan	Americas	Europe	Others	Total
Revenue from external customers	625,468	120,633	22,565	13,250	781,916
Property, plant and equipment and intangible assets	217,767	216,438	117,047	8,106	559,358

For the year ended December 31, 2017

(Millions of yen)

	Japan	Americas	Europe	Others	Total
Revenue from external customers	750,310	148,830	26,726	18,608	944,474
Property, plant and equipment and intangible assets	240,992	237,983	112,097	8,961	600,033

(5) Major Customers

For the year ended December 31, 2016

Disclosure of major customers is omitted because the proportion of revenue from an individual external customer does not exceed 10% of consolidated revenue.

For the year ended December 31, 2017

Disclosure of major customers is omitted because the proportion of revenue from an individual external customer does not exceed 10% of consolidated revenue.

Earnings per Share

Basic earnings per share are calculated by dividing the net income attributable to equity owners by the weighted average number of common stock outstanding during the year. The weighted average number of common stock outstanding during the year does not include treasury stock.

Diluted earnings per share are calculated on the assumption of full conversion of potentially dilutive common stock, adjusted for the weighted average number of common stock outstanding.

The Company has potential common stock related to stock options. The number of shares that may be acquired through these stock options is calculated at fair value (annual average stock price of the Company) based on the value of the stock acquisition rights that would be granted to unexercised stock options.

Per share information and the weighted average number of shares used in the calculation of earnings per share are as follows:

	Fiscal year ended December 31, 2016			Fiscal year ended December 31, 2017		
	Basic	Adjustments	Diluted	Basic	Adjustments	Diluted
Net income attributable to owners of the parent company (Millions of yen)	38,429	(0)	38,429	110,585	(1)	110,584
Weighted average number of shares (Thousands of shares)	1,425,487	11,481	1,436,968	1,381,860	13,022	1,394,882
Earnings per share (yen)	26.96	(0.22)	26.74	80.03	(0.75)	79.28

(Other Income)

(Millions of yen)

	Fiscal year ended December 31, 2016 (January 1 to December 31, 2016)	Fiscal year ended December 31, 2017 (January 1 to December 31, 2017)
Gains on sales of subsidiaries' stocks	114	5,971
Valuation gains on securities	3,093	42,612
Others	2,116	2,513
Total	5,323	51,096

Note 1: A gain on sales of shares in Daily Grommet, Inc. of ¥4,987 million has been recorded for the fiscal year ended December 31, 2017.

Note 2: Unrealized valuation gains on shares of ¥41,861 million related to investments in the ridesharing business have been recorded for the fiscal year ended December 31, 2017.

(Impairment Loss)

(Millions of yen)

	Fiscal year ended December 31, 2016 (January 1 to December 31, 2016)	Fiscal year ended December 31, 2016 (January 1 to December 31, 2017)
Impairment Loss of Goodwill etc. (Note)	25,359	2,667
Total	25,359	2,667

Note: In the fiscal year ended December 31, 2016, an impairment loss of ¥25,359 million was recognized for other cash-generating units.

Notes on significant subsequent events

(Acquisition of shares of Asahi Fire & Marine Insurance Co., Ltd.)

The Company resolved at the Board of Directors meeting held on January 29, 2018 to acquire all of the common stock and class stock of Asahi Fire & Marine Insurance Co., Ltd. through a tender offer, with the aim of making the company a subsidiary and entering the non-life insurance business.

(1) Name of the acquiree and the description of its business, main reasons for the business combination, date of the business combination, legal form of the business combination, and name of the entity after the business combination

i) Name of the acquiree: Asahi Fire & Marine Insurance Co., Ltd.

ii) Description of business: Non-life insurance business

iii) Main reasons for the business combination:

The Company currently engages in the life insurance business. By adding the non-life insurance business through the acquisition of Asahi Fire & Marine Insurance Co., Ltd. as a subsidiary, the Company will be able to provide its customers with a broader range of insurance products. By providing our services to the existing policyholders of Asahi Fire & Marine Insurance Co., Ltd., the Company can also acquire new members, while further expanding its Ecosystem. In addition, as the Company is engaged in a wide variety of business operations through the Internet, such as e-commerce and FinTech, we expect synergies of providing products and services to our customers with greater security and comfort, by offering non-life insurance services against the risks associated with the products and services provided in our business operations. It was for these reasons that the Company resolved to make Asahi Fire & Marine Insurance Co., Ltd. a subsidiary.

iv) Date of the business combination: March 2018 (scheduled)

v) Legal form of the business combination: Acquisition of shares

vi) Name of the entity after the business combination:

No change is scheduled to the name of the entity after the business combination.

(2) Acquisition cost of the acquiree

Purchase price for the acquisition of shares: ¥44,998 million

Note: Purchase price for the acquisition of shares is stated at an amount calculated by multiplying the anticipated number of shares to be purchased (16,891,288 shares), by the tender offer price for a share of common stock (¥2,664).

(3) Amount, and reason for goodwill arising from the business combination, along with amounts of assets acquired and liabilities assumed on the date of the business combination have not been determined as of the current moment.