Rakuten

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

Consolidated Financial Reports (IFRS)
For the nine months ended September 30, 2018

Rakuten, Inc.
November 8, 2018

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

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

1. Consolidated Results for the nine months ended September 30, 2018 (January 1 – September 30, 2018)

(Yen amounts are rounded to the nearest million)

(1) Consolidated Operating Results

(%, YoY)

	Revenue		Operating income		Income before income tax		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended September 30, 2018	790,330	16.8	133,544	11.1	129,298	16.7	107,716	48.5
Nine months ended September 30, 2017	676,477	20.9	120,162	58.8	110,783	52.3	72,554	63.6

	Net income attributable to owners of the parent company		Comprehensive income		Basic Earnings per Share attributable to owners of the parent company	Diluted Earnings per Share attributable to owners of the parent company
	Millions of yen	%	Millions of yen	%	Yen	Yen
Nine months ended September 30, 2018	107,923	48.6	122,887	100.2	80.01	79.33
Nine months ended September 30, 2017	72,647	63.9	61,391	―	52.18	51.73

(2) Consolidated Financial Position

	Total assets	Total equity	Total equity attributable to owners of the parent company	Ratio of total equity attributable to owners of the parent company to total assets
	Millions of yen	Millions of yen	Millions of yen	%
As of September 30, 2018	7,125,541	772,489	771,046	10.8
As of December 31, 2017	6,184,299	683,408	683,181	11.0

2. Dividend Distribution

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

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

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

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

For details, see page 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): Yes

New ― (Company name ―) Excluded 1 (Company name SPARROWHAWK PARTNERS, INC.)

(2) Changes in accounting policies and changes in accounting estimates

1. Changes in accounting policies as required under IFRS: Yes
2. Changes in accounting policies due to other reasons: No
3. Changes in accounting estimates: No

Note: For details, see page 18, 2. Consolidated Financial Statements (Summary) (6) Notes to the summary of consolidated financial statements for the nine months ended September 30, 2018 (Significant accounting policies)

(3) Number of shares issued (Common stock)

1. Total number of shares issued at the end of the period (including treasury stocks)
   1,434,573,900 shares (As of September 30, 2018)
   1,434,573,900 shares (As of December 31, 2017)
2. Number of treasury stocks at the end of the period
   83,546,438 shares (As of September 30, 2018)
   87,913,138 shares (As of December 31, 2017)
3. Average number of shares during the period (cumulative from the beginning of the year)
   1,348,872,402 shares (January 1 – September 30, 2018)
   1,392,230,354 shares (January 1 – September 30, 2017)

This financial report is not subject to audit.

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

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

1. Qualitative Information, Financial Statements, etc.

(1) Qualitative Information Concerning Consolidated Business Results

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

Non-GAAP operating income is operating income under IFRS (hereinafter “IFRS operating income”) after deducting unusual items and other adjustments as prescribed by the Rakuten Group. The management believes that the disclosure of Non-GAAP financial measures facilitates comparison between the Rakuten Group and peer companies in the same industry or comparison of its business results with those of prior fiscal years by stakeholders, and can provide useful information in understanding the underlying business results of the Rakuten Group and its future outlook. Unusual items refer to one-off items that the Rakuten Group believes shall be excluded for the purposes of preparing a future outlook based on certain rules. Other adjustment items are those that tend to differ depending on the standards applied, and are therefore less comparable between companies, such as stock-based compensation expenses and amortization of acquisition-related intangible assets.

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

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

The world economy has been recovering gradually during the nine months ended September 30, 2018, although attention must still be paid to factors including trends in trade issues, the outlook for China and other emerging Asian nations, and the impact of fluctuations in financial and capital markets. The Japanese economy also enjoyed an ongoing gradual recovery trend due to the recovery of personal consumption in the midst of continuing improvement in the wage and employment environment, as well as increased capital investment and production by companies.

The “Investments for the Future Strategy 2018”, adopted by cabinet decision in June 2018, calls on Japan to incorporate cutting-edge technologies such as IoT, robotics, artificial intelligence (AI) and Big Data throughout all industries and society as a whole in order to realize a new Society 5.0 that achieves both economic development and solutions to social problems, transforming to a data-driven society where it is possible to provide new added value through the collection, analysis and use of data.

Under such an environment, the Rakuten Group is at the forefront of corporate efforts to combine knowledge from these fields in order to accelerate the development of businesses bringing together membership, Big Data, and branding, along with the development of services using AI and blockchain. In communication services, the Rakuten Group is implementing a plan approved by the Minister for Internal Affairs and Communications in April 2018 to set up specified base stations to promote the spread of fourth-generation mobile communications, and is also conducting verification tests for fifth-generation mobile communications.

In domestic e-commerce services, the mainstay of Internet Services, in the face of volume limits and increased shipping costs from shipping companies, the Rakuten Group is making every effort towards further growth in gross merchandise sales and revenues by concentrating on new strategies. These include sales promotion activities to cultivate loyal customers and win new users, promotion of cross-use, programs aimed at improving customer satisfaction, strategies to enhance services for smart devices, and further opening up of the Rakuten Ecosystem. In overseas Internet services, operations are expanding at U.S. subsidiaries including Ebates Inc. (hereinafter “Ebates”), and the Rakuten Group is continuing to make investments aimed at future growth. In the investment business, while proceeding with investment in companies that have innovative technology and business models, the Rakuten Group integrated the investment business and the organization that develops and promotes new businesses through a reorganization of the Company System on July 1, 2018. Consequently, the Rakuten Group recorded unrealized gains on stocks of affiliate companies held by Rakuten Capital, as a result of measuring these investments at FVTPL (Note 1) (Note 2).

In the FinTech segment, revenue and operating income increased steadily, due to growth in commission income driven by further expansion of Rakuten Card's membership base, in addition to the expansion of banking services, and contribution from securities services backed by the favorable domestic stock market. However, an operating loss was recorded in insurance services as a result of payment of insurance claims, etc., related to large-scale natural disasters including typhoons and the heavy rains in western Japan that occurred during the third quarter ended September 30, 2018.

Through these efforts, the Rakuten Group achieved revenue of ¥790,330 million, up 16.8% year-on-year, for the nine months ended September 30, 2018. Non-GAAP operating income was ¥142,330 million, up 6.5% year-on-year.

(Note 1) Fair Value Through Profit or Loss: Financial instruments measured at fair value through profit or loss.

(Note 2) The organization that operates Rakuten Capital applies to an "entity that is a venture capital organization, etc. (IAS 28)"

(Non-GAAP)

(Millions of yen)

	Nine months ended September 30, 2017	Nine months ended September 30, 2018	Amount Change YoY	% Change YoY
Revenue	676,477	790,330	113,853	16.8%
Non-GAAP Operating Income	133,590	142,330	8,740	6.5%

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

For the nine months ended September 30, 2018, amortization of intangible assets of ¥7,757 million and stock-based compensation expenses of ¥5,565 million were excluded from Non-GAAP operating income. In addition, one-off items of ¥4,536 million were recorded mainly due to gains on the bargain purchase of Rakuten General Insurance Co., Ltd. in the second quarter ended June 30, 2018.

(Millions of yen)

	Nine months ended September 30, 2017	Nine months ended September 30, 2018	Amount Change YoY
Non-GAAP operating income	133,590	142,330	8,740
Amortization of intangible assets (PPA)	(5,615)	(7,757)	(2,142)
Stock based compensation	(5,414)	(5,565)	(151)
One-off items	(2,399)	4,536	6,935
Operating Income	120,162	133,544	13,382

iii) Business Results for the Nine Months Ended September 30, 2018 (IFRS basis)

The Rakuten Group recorded revenue of ¥790,330 million, up 16.8% year-on-year, IFRS operating income of ¥133,544 million, up 11.1% year-on-year, and net income attributable to owners of the parent company of ¥107,923 million, up 48.6% year-on-year, for the nine months ended September 30, 2018.

(IFRS)

(Millions of yen)

	Nine months ended September 30, 2017	Nine months ended September 30, 2018	Amount Change YoY	% Change YoY
Revenue	676,477	790,330	113,853	16.8%
Operating income	120,162	133,544	13,382	11.1%
Net income attributable to owners of the parent company	72,647	107,923	35,276	48.6%

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 nine months ended September 30, 2018, the Rakuten Group aimed for further revenue growth in the mainstay domestic e-commerce services in the face of volume limits and increased shipping costs, by working on various initiatives, including sales promotion activities to cultivate loyal customers and win new users, promotion of cross-use, programs aimed at improving customer satisfaction, strategies to enhance services for smart devices, and further opening up of the Rakuten Ecosystem. In overseas Internet services, operations are expanding at subsidiaries including Ebates, and the Rakuten Group is continuing to make investments aimed at future growth. In the investment business, while proceeding with investment in companies that have innovative technology and business models, the Rakuten Group integrated the investment business and the organization that develops and promotes new businesses through a reorganization of the Company System on July 1, 2018. Consequently, the Rakuten Group recorded unrealized gains on stocks of affiliate companies held by Rakuten Capital, a result of measuring these investments at FVTPL. 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 ¥556,142 million, a 15.2% year-on-year increase, while segment profit stood at ¥92,041 million, a 10.7% year-on-year increase.

(Millions of yen)

	Nine months ended September 30, 2017	Nine months ended September 30, 2018	Amount Change YoY	% Change YoY
Segment Revenue	482,722	556,142	73,420	15.2%
Segment Profit	83,181	92,041	8,860	10.7%

FinTech

In the FinTech segment for the nine months ended September 30, 2018, revenue and operating income increased steadily due to growth in commission income driven by further expansion of Rakuten Card's membership base, in addition to expansion of banking services, and contribution from securities services backed by the favorable domestic stock market. However, an operating loss was recorded in insurance services as a result of payment of insurance claims, etc., related to large-scale natural disasters such as typhoons, including the heavy rains in western Japan that occurred during the third quarter ended September 30, 2018.

As a result, the FinTech segment recorded ¥302,698 million in revenue, a 24.2% year-on-year increase, while segment profit stood at ¥60,795 million, a 14.2% year-on-year increase.

(Millions of yen)

	Nine months ended September 30, 2017	Nine months ended September 30, 2018	Amount Change YoY	% Change YoY
Segment Revenue	243,759	302,698	58,939	24.2%
Segment Profit	53,222	60,795	7,573	14.2%

Rakuten

(2) Analysis Concerning Financial Position

i) Assets, Liabilities, and Equity

Assets

Total assets as of September 30, 2018 amounted to ¥7,125,541 million, an increase of ¥941,242 million from ¥6,184,299 million at the end of the previous fiscal year. The primary factors were an increase of ¥258,060 million in securities of the insurance business mainly due to making Rakuten General Insurance Co., Ltd. a subsidiary, an increase of ¥146,741 million in cash and cash equivalents and an increase in investment securities of ¥130,057 million.

Liabilities

Total liabilities as of September 30, 2018 amounted to ¥6,353,052 million, an increase of ¥852,161 million from ¥5,500,891 million at the end of the previous fiscal year. The primary factors were an increase of ¥313,073 million in policy reserves and others for insurance business mainly due to making Rakuten General Insurance Co., Ltd. a subsidiary, an increase of ¥221,108 million in deposits for banking business mainly due to an increase in savings accounts at Rakuten Bank, Ltd., and an increase of ¥138,492 million in bonds and borrowings.

Equity

Equity as of September 30, 2018 was ¥772,489 million, an increase of ¥89,081 million from ¥683,408 million at the end of the previous fiscal year. The primary factors were an increase of ¥66,229 million in retained earnings and an increase of ¥15,677 million in other components of equity resulting from fluctuations in foreign exchange rates, etc. While there was a decrease of ¥35,421 million due to application of IFRS 9 "Financial Instruments" (2014), retained earnings increased mainly due to net income attributable to owners of the parent company of ¥107,923 million for the nine months ended September 30, 2018.

ii) Cash Flows

Cash and cash equivalents as of September 30, 2018 was ¥847,622 million, an increase of ¥146,741 million from the end of the previous fiscal year. Among these, deposits with the Bank of Japan for banking business were ¥492,676 million, an increase of ¥16,998 million from the end of the previous fiscal year. Cash flow conditions and their major factors for the nine months ended September 30, 2018 are as follows.

Net cash flows from operating activities

Net cash flows from operating activities for the nine months ended September 30, 2018 resulted in a cash inflow of ¥60,612 million (compared with a cash inflow of ¥86,861 million for the same period of the previous fiscal year). Primary factors included a cash outflow of ¥115,364 million due to an increase in loans for banking business, and a cash outflow of ¥95,216 million due to an increase in financial assets for securities business, offset by a cash inflow of ¥221,254 million due to an increase in deposits for banking business and a cash inflow of ¥118,188 million due to an increase in financial liabilities for securities business.

Net cash flows from investing activities

Net cash flows from investing activities for the nine months ended September 30, 2018 resulted in a cash outflow of ¥44,594 million (compared with a cash outflow of ¥150,792 million in the same period of the previous fiscal year). Primary factors included a net inflow of ¥20,109 million due to purchase and sale, etc. of investment securities for insurance business (a cash outflow of ¥62,534 million for purchase of investment securities for insurance business and a cash inflow of ¥82,643 million from sales and redemption of investment securities for insurance business), offset by a cash outflow of ¥45,904 million due to purchase of intangible assets including software.

Net cash flows from financing activities

Net cash flows from financing activities for the nine months ended September 30, 2018 resulted in a cash inflow of ¥128,967 million (compared with a cash inflow of ¥156,657 million in the same period of the previous fiscal year). Primary factors included a cash outflow of ¥185,148 million for repayment of long-term debt, offset by a cash inflow of ¥220,976 million from long-term debt, a cash inflow of ¥50,626 million from net increase in short-term borrowings and a cash inflow of ¥51,000 million from net increase in commercial papers.

(3) Qualitative Information about Consolidated Business Forecasts

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

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

Internet Services

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

FinTech

In credit card related services, we will continue striving to achieve further growth of shopping transaction value by strengthening marketing initiatives aimed at expansion of market share and promotion of group synergy. In banking services, a solid expansion of operations is expected due to steady accumulation of loan balances. Meanwhile, expenses are expected to grow in both of these services due to the application of IFRS 9 “Financial Instruments” (2014), etc. In insurance services, revenue and operating income are expected to increase at Rakuten General Insurance Co., Ltd., which was made a wholly-owned subsidiary on July 2, 2018. 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, 2017	As of September 30, 2018
Assets		
Cash and cash equivalents	700,881	847,622
Accounts receivable – trade	128,057	144,378
Financial assets for securities business	1,889,157	1,984,457
Loans for credit card business	1,223,195	1,278,523
Investment securities for banking business	203,161	200,759
Loans for banking business	753,419	857,326
Investment securities for insurance business	21,803	279,863
Derivative assets	19,978	24,805
Investment securities	261,588	391,645
Other financial assets	176,427	264,264
Investments in associates and joint ventures	54,481	12,920
Property, plant and equipment	73,171	85,484
Intangible assets	526,862	560,129
Deferred tax assets	36,472	48,430
Other assets	115,647	144,936
Total assets	6,184,299	7,125,541
Liabilities		
Accounts payable – trade	202,874	236,898
Deposits for banking business	1,946,142	2,167,250
Financial liabilities for securities business	1,790,388	1,908,654
Derivative liabilities	6,918	10,871
Bonds and borrowings	1,015,781	1,154,273
Other financial liabilities	351,779	362,518
Income taxes payable	13,264	17,184
Provisions	76,104	80,807
Insurance business policy reserve	22,050	335,123
Deferred tax liabilities	30,541	14,739
Other liabilities	45,050	64,735
Total liabilities	5,500,891	6,353,052
Equity		
Equity attributable to owners of the parent company		
Common stock	205,924	205,924
Capital surplus	217,185	217,996
Retained earnings	320,397	386,626
Treasury stock	(103,616)	(98,468)
Other components of equity	43,291	58,968
Total equity attributable to owners of the parent company	683,181	771,046
Non-controlling interests	227	1,443
Total equity	683,408	772,489
Total liabilities and equity	6,184,299	7,125,541

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

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

(Millions of yen)

	Nine months ended September 30, 2017 (January 1 to September 30, 2017)	Nine months ended September 30, 2018 (January 1 to September 30, 2018)
Continuing Operations		
Revenue	676,477	790,330
Operating expenses	595,744	734,153
Other income	46,044	94,547
Other expenses	6,615	17,180
Operating income	120,162	133,544
Financial income	302	613
Financial expenses	2,462	2,905
Share of loss of associates and joint ventures	7,219	1,954
Income before income tax	110,783	129,298
Income tax expense	38,229	21,582
Net income	72,554	107,716
Net income attributable to:		
Owners of the parent company	72,647	107,923
Non-controlling interests	(93)	(207)
Net income	72,554	107,716

(Yen)

Earnings per share attributable to owners of the parent company		
Basic	52.18	80.01
Diluted	51.73	79.33

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

(Millions of yen)

	Three months ended September 30, 2017 (July 1 to September 30, 2017)	Three months ended September 30, 2018 (July 1 to September 30, 2018)
Continuing Operations		
Revenue	236,387	278,169
Operating expenses	209,017	265,517
Other income	28,172	44,963
Other expenses	3,996	13,741
Operating income	51,546	43,874
Financial income	173	184
Financial expenses	762	933
Share of income (loss) of associates and joint ventures	(3,594)	72
Income before income tax	47,363	43,197
Income tax expense	15,045	(5)
Net income	32,318	43,202
Net income attributable to:		
Owners of the parent company	32,332	43,401
Non-controlling interests	(14)	(199)
Net income	32,318	43,202

(Yen)

Earnings per share attributable to owners of the parent company		
Basic	23.70	32.14
Diluted	23.50	31.90

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

(Millions of yen)

	Nine months ended September 30, 2017 (January 1 to September 30, 2017)	Nine months ended September 30, 2018 (January 1 to September 30, 2018)
Net income	72,554	107,716
Other comprehensive income		
Items that will not be reclassified to net income		
Gains (losses) on equity instruments measured at fair value through other comprehensive income	(2,698)	3,089
Income tax effect of gains and losses on equity instruments measured at fair value through other comprehensive income	519	(2,017)
Remeasurement of insurance business policy reserves based on current market interest rates	1,615	1,271
Income tax effect of remeasurement of insurance business policy reserves based on current market interest rates	(456)	(356)
Share of other comprehensive income of associates and joint ventures	4	(9)
Total items that will not be reclassified to net income	(1,016)	1,978
Items that will be reclassified to net income		
Foreign currency translation adjustments	(9,728)	6,313
Foreign currency translation adjustments reclassified from other comprehensive income to net income	―	7,241
Gains (losses) on debt instruments measured at fair value through other comprehensive income	―	1,000
Allowances for doubtful debts on debt instruments measured at fair value through other comprehensive income	―	83
Gains (losses) on debt instruments measured at fair value through other comprehensive income reclassified from other comprehensive income to net income	―	(2,241)
Income tax effect of gains or losses on debt instruments measured at fair value through other comprehensive income	―	83
Gains (losses) on cash flow hedges recognized in other comprehensive income	(904)	610
Income tax effect of gains or losses on cash flow hedges recognized in other comprehensive income	145	(68)
Gains (losses) on cash flow hedges reclassified from other comprehensive income to net income	420	202
Income tax effect of gains or losses on cash flow hedges reclassified from other comprehensive income to net income	(103)	(104)
Share of other comprehensive income of associates and joint ventures	23	154
Share of other comprehensive income of associates and joint ventures reclassified from other comprehensive income to net income	―	(80)
Total items that will be reclassified to net income	(10,147)	13,193
Other comprehensive income, net of tax	(11,163)	15,171
Comprehensive income	61,391	122,887
Comprehensive income attributable to:		
Owners of the parent company	61,484	123,097

Non-controlling interests	(93)	(210)
Comprehensive income	61,391	122,887

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

(Millions of yen)

	Three months ended September 30, 2017 (July 1 to September 30, 2017)	Three months ended September 30, 2018 (July 1 to September 30, 2018)
Net income	32,318	43,202
Other comprehensive income		
Items that will not be reclassified to net income		
Gains (losses) on equity instruments measured at fair value through other comprehensive income	(892)	2,862
Income tax effect of gains and losses on equity instruments measured at fair value through other comprehensive income	292	(1,823)
Remeasurement of insurance business policy reserves based on current market interest rates	191	2,079
Income tax effect of remeasurement of insurance business policy reserves based on current market interest rates	(54)	(582)
Share of other comprehensive income of associates and joint ventures	2	1
Total items that will not be reclassified to net income	(461)	2,537
Items that will be reclassified to net income		
Foreign currency translation adjustments	2,670	19,212
Foreign currency translation adjustments reclassified from comprehensive income to net income	―	7,241
Gains (losses) on debt instruments measured at fair value through other comprehensive income	―	1,246
Allowances for doubtful debts on debt instruments measured at fair value through other comprehensive income	―	9
Gains (losses) on debt instruments measured at fair value through other comprehensive income reclassified from other comprehensive income to net income	―	(2,130)
Income tax effect of gains or losses on debt instruments measured at fair value through other comprehensive income	―	62
Gains (losses) on cash flow hedges recognized in other comprehensive income	(311)	203
Income tax effect of gains or losses on cash flow hedges recognized in other comprehensive income	68	(92)
Gains (losses) on cash flow hedges reclassified from other comprehensive income to net income	221	43
Income tax effect of gains or losses on cash flow hedges reclassified from other comprehensive income to net income	(34)	(34)
Share of other comprehensive income of associates and joint ventures	98	90
Share of other comprehensive income of associates and joint ventures reclassified from other comprehensive income to net income	―	(80)
Total items that will be reclassified to net income	2,712	25,770
Other comprehensive income, net of tax	2,251	28,307
Comprehensive income	34,569	71,509
Comprehensive income attributable to:		
Owners of the parent company	34,583	71,711

Non-controlling interests	(14)	(202)
Comprehensive income	34,569	71,509

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

(Millions of yen)

	Common stock	Capital surplus	Retained earnings	Treasury stock	Other components of equity					Total equity attributable to owners of the parent company	Non-controlling interests	Total equity
					Foreign currency translation adjust ments	Financial instruments measured at fair value through other comprehen sive 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, 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	—	—	72,647	—	—	—	—	—	—	72,647	(93)	72,554
Other comprehensive income net of tax	—	—	—	—	(9,705)	(2,175)	(442)	1,159	(11,163)	(11,163)	0	(11,163)
Total comprehensive income	—	—	72,647	—	(9,705)	(2,175)	(442)	1,159	(11,163)	61,484	(93)	61,391
Transactions with owners												
Contributions by and distributions to owners												
Issuance of common stock	1,173	1,173	—	—	—	—	—	—	—	2,346	—	2,346
Cash dividends paid	—	—	(6,419)	—	—	—	—	—	—	(6,419)	—	(6,419)
Reclassification from other components of equity to retained earnings	—	—	153	—	—	(153)	—	—	(153)	—	—	—
Purchase of treasury stock	—	—	—	(89,580)	—	—	—	—	—	(89,580)	—	(89,580)
Disposal of treasury stock associated with execution of stock options	—	—	—	—	—	—	—	—	—	—	—	—
Others	—	2,594	(89)	(81)	—	—	—	—	—	2,424	—	2,424
Total contributions by and distributions to owners	1,173	3,767	(6,355)	(89,661)	—	(153)	—	—	(153)	(91,229)	—	(91,229)
Changes in ownership interests in subsidiaries												
Issuance of common stock	—	—	—	—	—	—	—	—	—	—	0	0
Acquisitions and disposals of non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	—
Others	—	(1,640)	—	—	—	—	—	—	—	(1,640)	33	(1,607)
Total changes in ownership interests in subsidiaries	—	(1,640)	—	—	—	—	—	—	—	(1,640)	33	(1,607)
Total transactions with owners	1,173	2,127	(6,355)	(89,661)	—	(153)	—	—	(153)	(92,869)	33	(92,836)
As of September 30, 2017	205,735	213,912	283,158	(93,288)	13,953	31,375	(830)	(3,009)	41,489	651,006	39	651,045
As of January 1, 2018	205,924	217,185	320,397	(103,616)	15,586	31,866	(664)	(3,497)	43,291	683,181	227	683,408
Cumulative effects of change in accounting policy	—	—	(35,421)	—	—	315	—	—	315	(35,106)	—	(35,106)
Opening Balance reflecting change in accounting policy	205,924	217,185	284,976	(103,616)	15,586	32,181	(664)	(3,497)	43,606	648,075	227	648,302
Comprehensive income												
Net income	—	—	107,923	—	—	—	—	—	—	107,923	(207)	107,716
Other comprehensive income net of tax	—	—	—	—	13,628	(9)	640	915	15,174	15,174	(3)	15,171
Total comprehensive income	—	—	107,923	—	13,628	(9)	640	915	15,174	123,097	(210)	122,887
Transactions with owners												
Contributions by and distributions to owners												
Issuance of common stock	—	—	—	—	—	—	—	—	—	—	—	—
Cash dividends paid	—	—	(6,060)	—	—	—	—	—	—	(6,060)	—	(6,060)
Reclassification from other components of equity to retained earnings	—	—	(188)	—	—	188	—	—	188	—	—	—
Purchase of treasury stock	—	—	—	—	—	—	—	—	—	—	—	—
Disposal of treasury stock associated with execution of stock options	—	(4,950)	—	5,148	—	—	—	—	—	198	—	198
Others	—	5,691	(25)	—	—	—	—	—	—	5,666	—	5,666
Total contributions by and distributions to owners	—	741	(6,273)	5,148	—	188	—	—	188	(196)	—	(196)
Changes in ownership interests in subsidiaries												

Issuance of common stock	—	—	—	—	—	—	—	—	—	—	319	319
Acquisitions and disposals of non-controlling interests	—	70	—	—	—	—	—	—	—	70	—	70
Others	—	—	—	—	—	—	—	—	—	—	1,107	1,107
Total changes in ownership interests in subsidiaries	—	70	—	—	—	—	—	—	—	70	1,426	1,496
Total transactions with owners	—	811	(6,273)	5,148	—	188	—	—	188	(126)	1,426	1,300
As of September 30, 2018	205,924	217,996	386,626	(98,468)	29,214	32,360	(24)	(2,582)	58,968	771,046	1,443	772,489

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(4) Consolidated Statement of Cash Flows (Summary)

(Millions of Yen)

	Nine months ended September 30, 2017 (January 1 to September 30, 2017)	Nine months ended September 30, 2018 (January 1 to September 30, 2018)
Cash flows from operating activities		
Income before income tax	110,783	129,298
Depreciation and amortization	39,014	52,476
Other loss (income)	(23,833)	(76,759)
Decrease (Increase) in operating receivables	12,852	3,141
Decrease (Increase) in loans for credit card business	(62,151)	(95,439)
Increase (Decrease) in deposits for banking business	248,255	221,254
Net decrease (increase) in call loans for banking business	–	10,000
Decrease (Increase) in loans for banking business	(135,040)	(115,364)
Increase (Decrease) in operating payables	(30,363)	2,834
Decrease (Increase) in financial assets for securities business	(182,357)	(95,216)
Increase (Decrease) in financial liabilities for securities business	151,197	118,188
Others	(19,939)	(61,794)
Income tax paid	(21,557)	(32,007)
Net cash flows from (used in) operating activities	86,861	60,612
Cash flows from investing activities		
Increase in restricted deposits	(11,842)	(5)
Decrease in restricted deposits	11,843	6
Increase in time deposits	(7,196)	(7,666)
Decrease in time deposits	15,388	6,560
Purchase of property, plant and equipment	(28,218)	(14,045)
Purchase of intangible assets	(32,076)	(45,904)
Acquisition of subsidiaries	(5,844)	(10,990)
Proceeds from acquisition of subsidiaries	–	10,826
Acquisition of investments in associates and joint ventures	(15,772)	(1,055)
Purchase of investment securities for banking business	(235,176)	(210,540)
Proceeds from sales and redemption of investment securities for banking business	195,413	212,255
Purchase of investment securities for insurance business	(12,237)	(62,534)
Proceeds from sales and redemption of investment securities for insurance business	7,648	82,643
Purchase of investment securities	(38,095)	(18,570)
Proceeds from sales and redemption of investment securities	9,527	12,379
Other payments	(11,330)	(6,262)
Other proceeds	7,175	8,308
Net cash flows from (used in) investing activities	(150,792)	(44,594)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	77,947	50,626
Increase (Decrease) in commercial papers	72,000	51,000
Proceeds from long-term debt	176,618	220,976
Repayment of long-term debt	(141,334)	(185,148)
Proceeds from issuance of bonds	99,541	–
Redemption of bonds	(30,300)	(150)
Cash dividends paid	(6,422)	(6,055)
Purchase of treasury stock	(89,697)	–
Others	(1,696)	(2,282)
Net cash flows from financing activities	156,657	128,967
Effect of change in exchange rates on cash and cash equivalents	820	1,756

(Millions of Yen)

	Nine months ended September 30, 2017 (January 1 to September 30, 2017)	Nine months ended September 30, 2018 (January 1 to September 30, 2018)
Net increase (decrease) in cash and cash equivalents	93,546	146,741
Cash and cash equivalents at the beginning of the year	548,269	700,881
Cash and cash equivalents at the end of the period	641,815	847,622

(5) Assumptions for going concern

No items to report

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

Basis of preparation

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

Significant accounting policies

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

Adoption of IFRS 9 (2014)

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

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

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

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

(1) Classification and measurement of financial assets

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

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

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

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

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

(2) Impairment of financial assets

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

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

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

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

Accordingly, compared with the case where the previous accounting standards would be applied, allowance for doubtful accounts increased by ¥50,679 million, while retained earnings decreased by ¥35,421 million and other components of equity increased by ¥57 million at the beginning of the current fiscal year. Also compared with the case where the previous accounting standards would be applied, operating revenue increased by ¥76 million, while operating expenses decreased by ¥3,815 million and net income increased by ¥2,691 million in the nine months ended September 30, 2018.

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

(Millions of yen)

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

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

(3) Hedge accounting

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

Significant accounting estimates and judgments

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

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

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

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

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

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

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Segment information

1. General Information

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

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

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

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

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

Operating segment information is reported in accordance with IFRS as stated in significant accounting policies. Operating segment revenue and profit or loss amounts are those before intersegment eliminations, without consideration of consolidation adjustments, except for certain consolidated subsidiaries. The internal measures management relies upon in making decisions has been Non-GAAP operating income—operating income in accordance with IFRS adjusted for unusual items and other adjustment items prescribed by the Rakuten Group.

The management believes that the disclosure of Non-GAAP financial measures facilitates comparison between the Rakuten Group and peer companies in the same industry or comparison of its business results with those of the prior fiscal years by stakeholders, and can provide useful information in understanding the underlying business results of the Rakuten Group and its future outlook. Unusual items refer to one-off items that Rakuten believes shall be excluded for the purposes of preparing a future outlook based on certain rules. Other adjustment items are those that tend to differ depending on the standards applied, and are therefore less comparable between companies, such as stock-based compensation expenses and amortization of acquisition-related intangible assets.

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

Nine months ended September 30, 2017 (January 1 to September 30, 2017)

(Millions of Yen)

	Internet Services	FinTech	Total
Segment Revenue	482,722	243,759	726,481
Segment Profit (Loss)	83,181	53,222	136,403

Nine months ended September 30, 2018 (January 1 to September 30, 2018)

(Millions of Yen)

	Internet Services	FinTech	Total
Segment Revenue	556,142	302,698	858,840
Segment Profit (Loss)	92,041	60,795	152,836

Note: As stated in “Significant accounting policies”, the Rakuten Group adopted IFRS 9 (2014) in the first quarter ended March 31, 2018. As a result, segment profit/loss for the Internet Service segment increased by ¥4 million, while segment revenue and segment profit and for the FinTech segment increased by ¥76 million and segment profit by ¥3,887 million respectively, compared with the case where previous accounting standards would be applied.

Three months ended September 30, 2017 (July 1 to September 30, 2017)

(Millions of Yen)

	Internet Services	FinTech	Total
Segment Revenue	170,388	83,715	254,103
Segment Profit (Loss)	41,639	17,970	59,609

Three months ended September 30, 2018 (July 1 to September 30, 2018)

(Millions of Yen)

	Internet Services	FinTech	Total
Segment Revenue	193,660	107,445	301,105
Segment Profit (Loss)	38,528	16,251	54,779

Reconciliation from Segment Revenue to Consolidated Revenue

(Millions of Yen)

	Nine months ended September 30, 2017 (January 1 to September 30, 2017)	Nine months ended September 30, 2018 (January 1 to September 30, 2018)
Segment Revenue	726,481	858,840
Intercompany transactions, etc.	(50,004)	(68,510)
Consolidated Revenue	676,477	790,330

(Millions of Yen)

	Three months ended September 30, 2017 (July 1 to September 30, 2017)	Three months ended September 30, 2018 (July 1 to September 30, 2018)
Segment Revenue	254,103	301,105
Intercompany transactions, etc.	(17,716)	(22,936)
Consolidated Revenue	236,387	278,169

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Reconciliation from Segment Profit to Income Before Income Tax

(Millions of Yen)

	Nine months ended September 30, 2017 (January 1 to September 30, 2017)	Nine months ended September 30, 2018 (January 1 to September 30, 2018)
Segment Profit	136,403	152,836
Intercompany transactions, etc.	(2,813)	(10,506)
Non-GAAP Operating Income	133,590	142,330
Amortization of Intangible Assets (PPA)	(5,615)	(7,757)
Stock Based Compensation	(5,414)	(5,565)
One-off Items	(2,399)	4,536
Operating income	120,162	133,544
Financial income and expenses	(2,160)	(2,292)
Share of income (loss) of associates and joint ventures	(7,219)	(1,954)
Income before income tax	110,783	129,298

(Millions of Yen)

	Three months ended September 30, 2017 (July 1 to September 30, 2017)	Three months ended September 30, 2018 (July 1 to September 30, 2018)
Segment Profit	59,609	54,779
Intercompany transactions, etc.	(1,760)	(2,685)
Non-GAAP Operating Income	57,849	52,094
Amortization of Intangible Assets (PPA)	(2,063)	(3,335)
Stock Based Compensation	(1,841)	(1,773)
One-off Items	(2,399)	(3,112)
Operating income	51,546	43,874
Financial income and expenses	(589)	(749)
Share of income (loss) of associates and joint ventures	(3,594)	72
Income before income tax*	47,363	43,197

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Breakdown of Operating Expenses

(Millions of Yen)

	Nine months ended September 30, 2017 (January 1 to September 30, 2017)	Nine months ended September 30, 2018 (January 1 to September 30, 2018)
Advertising and promotion expenditures	103,011	134,800
Employee benefits expenses	118,770	129,411
Depreciation and amortization	39,014	52,476
Communication and maintenance expenses	16,478	19,848
Consignment and subcontract expenses	33,090	41,448
Allowance for doubtful accounts charged to expenses	21,042	27,846
Cost of sales of merchandise and service revenue	159,642	187,681
Interest expense for finance business	4,063	5,116
Commission expense for finance business	7,209	7,985
Insurance claims and other payments, and provision of policy reserves and others for insurance business	10,694	28,776
Others	82,731	98,766
Total	595,744	734,153

(Millions of Yen)

	Three months ended September 30, 2017 (July 1 to September 30, 2017)	Three months ended September 30, 2018 (July 1 to September 30, 2018)
Advertising and promotion expenditures	36,982	47,467
Employee benefits expenses	40,302	44,418
Depreciation and amortization	13,835	18,700
Communication and maintenance expenses	5,684	6,962
Consignment and subcontract expenses	11,615	15,591
Allowance for doubtful accounts charged to expenses	7,494	10,338
Cost of sales of merchandise and service revenue	56,620	64,937
Interest expense for finance business	1,427	1,761
Commission expense for finance business	2,410	2,737
Insurance claims and other payments, and provision of policy reserves and others for insurance business	3,643	15,728
Others	29,005	36,878
Total	209,017	265,517

(Other Earnings)

Other earnings of the Rakuten Group are as follows.

(Millions of Yen)

	Nine months ended September 30, 2017 (January 1 to September 30, 2017)	Nine months ended September 30, 2018 (January 1 to September 30, 2018)
Foreign exchange gains	–	739
Gains on sales of affiliated companies	–	2,577
Profit from revaluation of securities (Note)	39,750	76,606
Others	6,294	14,625
Total	46,044	94,547

(Millions of Yen)

	Three months ended September 30, 2017 July 1 to September 30, 2017)	Three months ended September 30, 2018 (July 1 to September 30, 2018)
Foreign exchange gains	–	(880)
Gains on sales of affiliated companies	–	2,496
Profit from revaluation of securities (Note)	22,856	42,857
Others	5,316	490
Total	28,172	44,963

(Note)

During the third quarter ended September 30, 2018, the measurement method for some affiliated company stocks that were formerly measured based on the equity method changed to measurement at fair value through profit or loss according to the provisions applied to an entity that is a venture capital organization, etc, in paragraph 18 of IAS 28.

As a result of this change, during the third quarter ended September 30, 2018, the Rakuten Group recorded ¥29,080 million in valuation gains on securities related to investments in the ride-sharing business and others.

This change in method is based on the judgment that the fund management organization corresponds to an entity that is a venture capital organization, etc, referred to in IAS 28, due to the establishment of the "Investment & Incubation Company" during the third quarter ended September 30, 2018, and setting up of a system to comprehensively manage policy decisions and fund operation, etc. related to investment in innovative start-ups in Japan and overseas.

Notes on significant subsequent events

No items to report