

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, 2018

Rakuten, Inc.  
February 12, 2019

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 Fiscal Year ended December 31, 2018 (January 1 – December 31, 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	%
Fiscal year ended December 31, 2018	1,101,480	16.6	170,425	14.1	165,423	19.8	141,889	28.4
Fiscal year ended December 31, 2017	944,474	20.8	149,344	90.2	138,082	85.5	110,488	187.5

	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, 2018	142,282	28.7	124,452	23.2	105.43	104.38
Fiscal year ended December 31, 2017	110,585	187.8	100,981	402.2	80.03	79.28

	ROE (Return on equity attributable to owners of the parent company)	ROA (Ratio of income before income tax to total assets)	OI margin (Ratio of operating income to revenue)
	%	%	%
Fiscal year ended December 31, 2018	19.5	2.4	15.5
Fiscal year ended December 31, 2017	16.2	2.6	15.8

## (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, 2018	7,345,002	776,207	774,473	10.5	572.83
As of December 31, 2017	6,184,299	683,408	683,181	11.0	507.32

## (3) Consolidated Cash Flows

	Net Cash Flows from Operating Activities	Net Cash Flows from Investing 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, 2018	145,615	(67,569)	208,418	990,242
Fiscal year ended December 31, 2017	162,056	(203,718)	194,458	700,881

## 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	%	%
FY2017	—	0.00	—	4.50	4.50	6,060	5.6	0.9
FY2018	—	0.00	—	4.50	4.50	6,084	4.3	0.8
FY2019 (Forecast)	—	—	—	—	—		—	

Note: Dividend per share for the fiscal year ending December 31, 2019 has not been decided yet.

## 3. Estimate of Consolidated Operating Results for Fiscal 2019 (January 1 to December 31, 2019)

For the estimate of consolidated operating results for Fiscal 2019, double-digit growth on consolidated operating results for fiscal year 2018 is estimated for fiscal year 2019 consolidated revenues, excluding the securities business whose results are heavily impacted by stock market conditions

For details, see page 8, 1. Overview of Business Results, etc. (4) Future Outlook.

## 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 (6) Notes to the summary of consolidated financial statements (Changes in accounting policies)

### (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, 2018)
  - 1,434,573,900 shares (As of December 31, 2017)
2. Number of treasury stocks at the end of the year
  - 82,555,538 shares (As of December 31, 2018)
  - 87,913,138 shares (As of December 31, 2017)
3. Average number of shares during the year (cumulative from the beginning of the year)
  - 1,349,560,175 shares (January 1 – December 31, 2018)
  - 1,381,860,455 shares (January 1 – December 31, 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, 2019 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 for the Fiscal Year ended December 31, 2018

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 Fiscal Year ended December 31, 2018 (Non-GAAP basis)

The world economy during the fiscal year ended December 31, 2018 has been recovering gradually overall, although attention must still be paid to the outlook, including trends in trade issues, prospects for the Chinese economy, and the impact of fluctuations in financial and capital markets. The Japanese economy also enjoyed a gradual recovery due to increased capital investment and production by companies along with continuing improvements in the wage and employment environment.

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 proceed with 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, the Rakuten Group faced the impact of volume limits and increased shipping costs from shipping companies, while reinforcing its logistics hubs. The Rakuten Group is also making every effort towards further growth in gross merchandise sales and revenues by working on various initiatives, including sales promotion activities to cultivate loyal customers and win new users, promotion cross-use of services, 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, the Rakuten Group is proceeding with investment in companies that have innovative technology and business models, and recorded unrealized gains and losses on stocks with regard to these investments.

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, etc. However, an operating loss was recorded in general 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.

As a result, the Rakuten Group achieved revenue of ¥1,101,480 million, up 16.6% year-on-year, for the fiscal year ended December 31, 2018. Non-GAAP operating income was ¥161,130 million, down 3.5% year-on-year.

(Non-GAAP)

(Millions of yen)

	Fiscal year ended December 31, 2017	Fiscal year ended December 31, 2018	Amount Change YoY	% Change YoY
Revenue	944,474	1,101,480	157,006	16.6%
Non-GAAP Operating Income	167,010	161,130	(5,880)	(3.5)%

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

For the fiscal year ended December 31, 2018, amortization of intangible assets of ¥10,982 million and stock-based compensation expenses of ¥7,833 million were excluded from Non-GAAP operating income. In addition, one-off items of ¥28,110 million were recorded mainly due to the transfer of all shares in O-net, Inc.

(Millions of yen)

	Fiscal year ended December 31, 2017	Fiscal year ended December 31, 2018	Amount Change YoY
Non-GAAP operating income	167,010	161,130	(5,880)
Amortization of intangible assets (PPA)	(7,758)	(10,982)	(3,224)
Stock based compensation	(7,509)	(7,833)	(324)
One-off items	(2,399)	28,110	30,509
IFRS Operating Income	149,344	170,425	21,081

## iii) Business Results for the Fiscal Year ended December 31, 2018 (IFRS basis)

The Rakuten Group recorded revenue of ¥1,101,480 million, up 16.6% year-on-year, operating income of ¥170,425 million, up 14.1% year-on-year, and net income attributable to owners of the parent company of ¥142,282 million, up 28.7% year-on-year, for the fiscal year ended December 31, 2018.

(IFRS)

(Millions of yen)

	Fiscal year ended December 31, 2017	Fiscal year ended December 31, 2018	Amount Change YoY	% Change YoY
Revenue	944,474	1,101,480	157,006	16.6%
Operating income	149,344	170,425	21,081	14.1%
Net income attributable to owners of the parent company	110,585	142,282	31,697	28.7%

#### 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, 2018, the Rakuten Group faced the impact of volume limits and increased shipping costs from shipping companies while reinforcing its logistics hubs. The Rakuten Group is also making every effort towards further growth in gross merchandise sales and revenues by working on various initiatives, including sales promotion activities to cultivate loyal customers and win new users, promote cross-use services, 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, the Rakuten Group is proceeding with investment in companies that have innovative technology and business models, and recorded unrealized gains and losses on stocks with regard to these investments. 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 ¥788,390 million, a 15.9% year-on-year increase, while segment profit stood at ¥95,725 million, a 5.0% year-on-year decrease.

(Millions of yen)

	Fiscal year ended December 31, 2017	Fiscal year ended December 31, 2018	Amount Change YoY	% Change YoY
Segment Revenue	680,306	788,390	108,084	15.9%
Segment Profit	100,762	95,725	(5,037)	(5.0)%

##### FinTech

In the FinTech segment for the fiscal year ended December 31, 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 contribution from expansion of banking services, etc. However, an operating loss was recorded in general 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.

As a result, the FinTech segment recorded ¥410,796 million in revenue, a 23.3% year-on-year increase, while segment profit stood at ¥79,852 million, a 9.7% year-on-year increase.

(Millions of yen)

	Fiscal year ended December 31, 2017	Fiscal year ended December 31, 2018	Amount Change YoY	% Change YoY
Segment Revenue	333,161	410,796	77,635	23.3%
Segment Profit	72,811	79,852	7,041	9.7%

## **(2) Overview of Financial Position for the Fiscal Year ended December 31, 2018**

### **Assets**

Total assets as of December 31, 2018 amounted to ¥7,345,002 million, an increase of ¥1,160,703 million from ¥6,184,299 million at the end of the previous fiscal year. The primary factors were an increase of ¥289,361 million in cash and cash equivalents, an increase of ¥255,254 million in securities of the insurance business mainly due to making Rakuten General Insurance Co., Ltd. a subsidiary and an increase of ¥240,835 million in loans for credit card business.

### **Liabilities**

Total liabilities as of December 31, 2018 amounted to ¥6,568,795 million, an increase of ¥1,067,904 million from ¥5,500,891 million at the end of the previous fiscal year. The primary factors were an increase of ¥408,972 million in deposits for banking business mainly due to an increase in savings accounts at Rakuten Bank, Ltd., an increase of ¥312,486 million in policy reserves and others for insurance business mainly due to making Rakuten General Insurance Co., Ltd. a subsidiary and an increase of ¥218,362 million in bonds and borrowings.

### **Equity**

Equity as of December 31, 2018 was ¥776,207 million, an increase of ¥92,799 million from ¥683,408 million at the end of the previous fiscal year. The primary factors were an increase of ¥104,171 million in retained earnings resulting from the recognition of ¥142,282 million of net income attributable to owners of the parent company for the fiscal year ended December 31, 2018.

## **(3) Overview of Cash Flows for the Fiscal Year ended December 31, 2018**

Cash and cash equivalents as of December 31, 2018 was ¥990,242 million, an increase of ¥289,361 million from the end of the previous fiscal year. Among these, deposits with the Bank of Japan for banking business were ¥596,922 million, an increase of ¥121,244 million from the end of the previous fiscal year. Cash flow conditions and their major factors for the fiscal year ended December 31, 2018 are as follows.

### **Net cash flows from operating activities**

Net cash flows from operating activities for the fiscal year ended December 31, 2018 resulted in a cash inflow of ¥145,615 million (compared with a cash inflow of ¥162,056 million for the previous fiscal year). Primary factors included a cash inflow of ¥281,335 million due to an increase of loans for credit card business, a cash outflow of ¥149,964 million due to an increase in loans for banking business, a cash outflow of ¥36,059 million due to an increase in operating receivables, offset by a cash outflow of ¥409,403 million due to an increase in deposits for banking business, and the recognition of ¥165,423 million for income before income tax and ¥72,429 million in depreciation and amortization.

### **Net cash flows from investing activities**

Net cash flows from investing activities for the fiscal year ended December 31, 2018 resulted in a cash outflow of ¥67,569 million (compared with a cash outflow of ¥203,718 million for the previous fiscal year). Primary factors included a cash outflow of ¥64,140 million due to purchase of intangible assets including software, a cash outflow of ¥23,442 million due to purchase of property, plant and equipment including buildings, a net cash outflow of ¥11,885 million due to purchase and sales, etc. of investment securities (a cash outflow of ¥30,432 million due to purchase of investment securities and a cash inflow of ¥18,547 million due to sales and redemption of investment securities), offset by a cash inflow of ¥26,234 million due to sales of shares in subsidiaries that involve a change in the scope of consolidation.

### **Net cash flows from financing activities**

Net cash flows from financing activities for the fiscal year ended December 31, 2018 resulted in a cash inflow of ¥208,418 million (compared with a cash inflow of ¥194,458 million for the previous fiscal year). Primary factors included a cash inflow of ¥271,356 million due to repayment of long-term debt, and a cash outflow of ¥51,297 million due to a decrease in short-term borrowings, offset by a cash outflow of ¥290,976 million due to long-



term debt, a cash inflow of ¥169,394 million due to issuance of bonds and a cash inflow of ¥80,000 million due to an increase in commercial papers.

	FY2017	FY2018
Ratio of total equity attributable to owners of the parent company to total assets (%)	11.0	10.5
Ratio of total equity attributable to owners of the parent company to market capitalization (%)	22.5	13.5
Ratio of cash flows to interest-bearing liabilities (X)	6.3	8.5
Interest coverage ratio (X)	84.3	68.0

(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 2019, the Rakuten Group aims for double-digit growth on Fiscal Year 2018 consolidated revenue, 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, such as cultivating a loyal customer base, winning new users, promoting cross-use of services and making efforts to improve customer satisfaction, along with establishing logistics hubs with a view to expanding the e-commerce platform, enhancing services for smart devices, and promoting strategies for opening up the Rakuten Ecosystem. The Rakuten Group will also seek to create new markets through the use of technologies such as Big Data and AI. In overseas Internet services including Ebates, we aim to expand the Rakuten Ecosystem's membership base and provide new value to users. In communications services, expenses are expected to be incurred for establishing specified base stations, etc., in line with the launch of the cell phone carrier business in October 2019.

#### FinTech

In credit card related services, we will continue striving to achieve further growth in shopping transaction value by strengthening marketing initiatives aimed at expanding market share and promoting synergy. In banking services, a solid expansion of operations is expected due to steady accumulation of loan balances. It is difficult to make a forecast for securities services due to the substantial impact of stock market conditions. In life insurance services and general insurance services, we will aim for further growth by increasing the number of new policies and expanding our lineup of products that have a high level of affinity with Internet services.

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

As for the policy on shareholder returns, 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 relative to the associated risks of business activities and assets
- Maintain a financial rating required for stable financing, while maintaining a 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 12, 2019, in accordance with the aforementioned basic policy.

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

	Fiscal year ended December 31, 2014	Fiscal year ended December 31, 2015	Fiscal year ended December 31, 2016	Fiscal year ended December 31, 2017	Fiscal year ended December 31, 2018
Dividend per share (yen)	4.50	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, 2019, a dividend forecast is not provided.

**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, 2017	As of December 31, 2018
<b>Assets</b>		
Cash and cash equivalents	700,881	990,242
Accounts receivable – trade	128,057	181,026
Financial assets for securities business	1,889,157	1,789,832
Loans for credit card business	1,223,195	1,464,030
Investment securities for banking business	203,161	205,641
Loans for banking business	753,419	891,925
Investment securities for insurance business	21,803	277,057
Derivative assets	19,978	27,388
Investment securities	261,588	384,788
Other financial assets	176,427	275,800
Investments in associates and joint ventures	54,481	12,788
Property, plant and equipment	73,171	91,335
Intangible assets	526,862	553,815
Deferred tax assets	36,472	50,049
Other assets	115,647	149,286
<b>Total assets</b>	<b>6,184,299</b>	<b>7,345,002</b>
<b>Liabilities</b>		
Accounts payable – trade	202,874	255,353
Deposits of banking business	1,946,142	2,355,114
Financial liabilities of securities business	1,790,388	1,753,216
Derivative liabilities	6,918	9,213
Bonds and borrowings	1,015,781	1,234,143
Other financial liabilities	351,779	444,531
Income taxes payable	13,264	13,243
Provisions	76,104	90,516
Insurance business policy reserve	22,050	334,536
Employee retirement benefit liabilities	389	5,164
Deferred tax liabilities	30,541	13,059
Other liabilities	44,661	60,707
<b>Total liabilities</b>	<b>5,500,891</b>	<b>6,568,795</b>
<b>Equity</b>		
Equity attributable to owners of the parent company		
Common stock	205,924	205,924
Capital surplus	217,185	218,856
Retained earnings	320,397	424,568
Treasury shares	(103,616)	(97,300)
Other components of equity	43,291	22,425
<b>Total equity attributable to owners of the parent company</b>	<b>683,181</b>	<b>774,473</b>
Non-controlling interests	227	1,734
<b>Total equity</b>	<b>683,408</b>	<b>776,207</b>
<b>Total liabilities and equity</b>	<b>6,184,299</b>	<b>7,345,002</b>

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

### Consolidated Statement of Income

(Millions of yen)

	Fiscal year ended December 31, 2017 (January 1 to December 31, 2017)	Fiscal year ended December 31, 2018 (January 1 to December 31, 2018)
Continuing Operations		
Revenue	944,474	1,101,480
Operating expenses	837,550	1,027,753
Other income	51,096	120,634
Other expenses	8,676	23,936
Operating income	149,344	170,425
Financial income	410	954
Financial expenses	3,323	4,132
Share of loss of investments accounted for using equity method	8,349	1,824
Income before income tax	138,082	165,423
Income tax expense	27,594	23,534
Net income	110,488	141,889
Net income attributable to:		
Owners of parent	110,585	142,282
Non-controlling interests	(97)	(393)
Net income	110,488	141,889
		(Yen)
Earnings per share attributable to owners of the parent company		
Basic	80.03	105.43
Diluted	79.28	104.38

## Consolidated Statement of Comprehensive Income

(Millions of yen)

	Fiscal year ended December 31, 2017 (January 1 to December 31, 2017)	Fiscal year ended December 31, 2018 (January 1 to December 31, 2018)
Net income	110,488	141,889
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Gains (losses) on equity instruments measured at fair value through other comprehensive income	(1,849)	(4,347)
Income tax effect of gains and losses on equity instruments measured at fair value through other comprehensive income	14	1,156
Remeasurement of insurance policy reserves based on current market interest rates	936	(1,059)
Income tax effect of remeasurement of insurance policy reserves based on current market interest rates	(265)	296
Remeasurement of defined benefit plans	—	(65)
Income tax on remeasurement of defined benefit plans	—	18
Share of other comprehensive income of associates and joint ventures	5	(4)
Total items that will not be reclassified to profit or loss	(1,159)	(4,005)
Items that will be reclassified to profit or loss		
Foreign currency translation adjustments	(8,053)	(21,553)
Foreign currency translation adjustments reclassified from other comprehensive income to profit or loss	—	7,476
Gains (losses) on debt instruments measured at fair value through other comprehensive income	—	1,459
Allowances for doubtful debts on debt instruments measured at fair value through other comprehensive income	—	87
Gains (losses) on debt instruments measured at fair value through other comprehensive income reclassified from other comprehensive income to profit or loss	—	(789)
Income tax effect of gains or losses on debt instruments measured at fair value through other comprehensive income	—	(229)
Gains (losses) on cash flow hedges recognized in other comprehensive income	(890)	(425)
Income tax effect of gains or losses on cash flow hedges recognized in other comprehensive income	143	10
Gains (losses) on cash flow hedges reclassified from other comprehensive income to profit or loss	612	550
Income tax effect of gains or losses on cash flow hedges reclassified from other comprehensive income to profit or loss	(141)	19
Share of other comprehensive income of associates and joint ventures	(19)	43
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 profit or loss	(8,348)	(13,432)
Other comprehensive income, net of tax	(9,507)	(17,437)
Comprehensive income	100,981	124,452

Comprehensive income attributable to:

Owners of the parent company	101,078	124,838
Non-controlling interests	(97)	(386)
Comprehensive income	<u>100,981</u>	<u>124,452</u>

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

(Millions of yen)

	Other components of equity												
	Common stock	Capital surplus	Retained earnings	Treasury stock	Foreign currency translation adjustments	Financial instruments measured at fair value through other comprehensive income	Cash flow hedges	Remeasurement of insurance business policy reserves based on current market interest rates	Remeasurement of retirement benefit plans	Total other components of equity	Total equity attributable to owners of the parent company	Non-controlling interests	Total 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	—	—	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
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	—	—	142,282	—	—	—	—	—	—	—	142,282	(393)	141,889
Other comprehensive income net of tax	—	—	—	—	(14,124)	(2,663)	153	(763)	(47)	(17,444)	(17,444)	7	(17,437)
Total comprehensive income	—	—	142,282	—	(14,124)	(2,663)	153	(763)	(47)	(17,444)	124,838	(386)	124,452
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	—	—	3,737	—	—	(3,737)	—	—	—	(3,737)	—	—	—
Purchase of treasury stock	—	—	—	—	—	—	—	—	—	—	—	—	—
Disposal of treasury stock associated with execution of stock options	—	(6,103)	—	6,316	—	—	—	—	—	—	213	—	213
Others	—	7,704	(367)	—	—	—	—	—	—	—	7,337	—	7,337
Total contributions by and distributions to owners	—	1,601	(2,690)	6,316	—	(3,737)	—	—	—	(3,737)	1,490	—	1,490
Changes in ownership interests in subsidiaries													
Issuance of common stock	—	—	—	—	—	—	—	—	—	—	—	319	319

Acquisitions and disposals of non-controlling interests	—	70	—	—	—	—	—	—	—	—	70	—	70
Others	—	—	—	—	—	—	—	—	—	—	—	1,574	1,574
Total changes in ownership interests in subsidiaries	—	70	—	—	—	—	—	—	—	—	70	1,893	1,963
Total transactions with owners	—	1,671	(2,690)	6,316	—	(3,737)	—	—	—	(3,737)	1,560	1,893	3,453
As of December 31, 2018	205,924	218,856	424,568	(97,300)	1,462	25,781	(511)	(4,260)	(47)	22,425	774,473	1,734	776,207



#### (4) Consolidated Statement of Cash Flows

	(Millions of Yen)	
	Fiscal year ended December 31, 2017 (January 1 to December 31, 2017)	Fiscal year ended December 31, 2018 (January 1 to December 31, 2018)
Cash flows from operating activities		
Income before income tax	138,082	165,423
Depreciation and amortization	54,376	72,429
Impairment loss	2,667	4,168
Other loss (Income)	(25,076)	(101,050)
Decrease (Increase) in operating receivables	(9,242)	(36,059)
Decrease (Increase) in loans for credit card business	(208,144)	(281,335)
Increase (Decrease) in deposits for banking business	439,818	409,403
Net decrease (increase) in call loans for banking business	(25,000)	25,000
Decrease (Increase) in loans for banking business	(167,619)	(149,964)
Increase (Decrease) in operating payables	21,427	22,988
Decrease (Increase) in financial assets for securities business	(768,747)	99,080
Increase (Decrease) in financial liabilities for securities business	730,993	(36,938)
Others	4,855	(7,323)
Income tax paid	(26,334)	(40,207)
Net cash flows from (used in) operating activities	162,056	145,615
Cash flows from investing activities		
Increase in restricted deposits	(12,597)	(7)
Decrease in restricted deposits	12,036	8
Increase in time deposits	(8,903)	(9,943)
Decrease in time deposits	17,082	8,863
Purchase of property, plant and equipment	(31,874)	(23,442)
Purchase of intangible assets	(46,624)	(64,140)
Acquisition of subsidiaries	(5,776)	(11,944)
Proceeds from acquisition of subsidiaries	—	10,826
Proceeds from sale of subsidiaries stock with change in scope of consolidation	3,730	26,234
Acquisition of investments in associates and joint ventures	(20,576)	(1,159)
Purchase of investment securities for banking business	(312,593)	(270,099)
Proceeds from sales and redemption of investment securities for banking business	266,445	267,557
Purchase of investment securities for insurance business	(12,437)	(111,154)
Proceeds from sales and redemption of investment securities for insurance business	9,091	121,901
Purchase of investment securities	(61,937)	(30,432)
Proceeds from sales and redemption of investment securities	11,896	18,547
Other payments	(15,035)	(9,215)
Other proceeds	4,354	10,030
Net cash flows from (used in) investing activities	(203,718)	(67,569)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	66,039	(51,297)
Increase (Decrease) in commercial papers	44,000	80,000
Proceeds from long-term debt	364,573	290,976
Repayment of long-term debt	(240,473)	(271,356)
Proceeds from issuance of bonds	99,541	169,394
Redemption of bonds	(30,300)	(150)
Cash dividends paid	(6,420)	(6,056)

	(Millions of Yen)	
	Fiscal year ended December 31, 2017 (January 1 to December 31, 2017)	Fiscal year ended December 31, 2018 (January 1 to December 31, 2018)
Purchase of treasury stock	(100,133)	—
Others	(2,369)	(3,093)
Net cash flows from financing activities	194,458	208,418
Effect of change in exchange rates on cash and cash equivalents	(184)	2,897
Net increase (decrease) in cash and cash equivalents	152,612	289,361
Cash and cash equivalents at the beginning of the period	548,269	700,881
Cash and cash equivalents at the end of the period	700,881	990,242

## (5) Assumptions for going concern

No items to report

## (6) Notes to the summary of consolidated financial statements (Changes in accounting policies)

### Adoption of IFRS 9 (2014)

While the Rakuten Group has until now adopted IFRS 9 (2010), it now adopts IFRS 9 (2014) for the fiscal year ended December 31, 2018.

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

Accordingly, revisions are made to provisions regarding (1) classification and measurement of financial assets, (2) impairment of financial assets, and (3) hedge accounting. Specific details of the revisions to 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 Rakuten 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, a part of debt instruments subjected to subsequent measurement at amortized costs and the debt instruments subjected to subsequent measurement at fair value through profit or loss 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 outcome if previous accounting standards were 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 related to 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), in cases where 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, with respect to operating receivables and contractual assets that do not contain critical financial elements, such as accounts receivables – trade (hereinafter “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 after considering the available rational data for predictive analysis, such as historical loan loss ratios, that are based on operating receivables, etc. grouped by client attribute types.

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 outcome if previous accounting standards were 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 ¥126 million, while operating expenses decreased by ¥3,363 million and net income increased by ¥2,429 million in the current fiscal year.

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 profit or loss.

### (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 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. Resulting accounting estimates by their nature may 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 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 determines that such estimations are significant.

## 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 sales of advertising, etc. on these sites, messaging and communication services, and 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, general 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 are 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 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.

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, 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

**Fiscal year ended December 31, 2018 - (January 1 to December 31, 2018)**

(Millions of yen)

	Internet Services	FinTech	Total
Segment Revenue	788,390	410,796	1,199,186
Segment Profit	95,725	79,852	175,577
Other items			
Depreciation and amortization	42,390	30,494	72,884

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 ¥7 million, while segment revenue and segment profit and for the FinTech segment increased by ¥126 million and segment profit by ¥3,481 million respectively, compared with the case where previous accounting standards would be applied.

**Reconciliation from Segment Revenue to Consolidated Revenue**

(Millions of yen)

	Fiscal year ended December 31, 2017 (January 1 to December 31, 2017)	Fiscal year ended December 31, 2018 (January 1 to December 31, 2018)
Segment Revenue	1,013,467	1,199,186
Intercompany transactions, etc.	(68,993)	(97,706)
Consolidated Revenue	944,474	1,101,480

**Reconciliation from Segment Profit to Income Before Income Tax**

(Millions of Yen)

	Fiscal year ended December 31, 2017 (January 1 to December 31, 2017)	Fiscal year ended December 31, 2018 (January 1 to December 31, 2018)
Segment Profit	173,573	175,577
Intercompany transactions, etc.	(6,563)	(14,447)
Non-GAAP Operating Income	167,010	161,130
Amortization of Intangible Assets (PPA)	(7,758)	(10,982)
Stock Based Compensation	(7,509)	(7,833)
One-off Items	(2,399)	28,110
Operating income	149,344	170,425
Financial income and expenses	(2,913)	(3,178)
Share of income (loss) of associates and joint ventures	8,349	1,824
Income before income tax	138,082	165,423



### 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, 2017	211,191	126,689	62,612	543,982	944,474
Fiscal year ended December 31, 2018	233,012	146,219	69,444	652,805	1,101,480

### 4. Geographic Information

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

For the year ended December 31, 2018

(Millions of yen)

	Japan	Americas	Europe	Others	Total
Revenue from external customers	877,578	167,810	28,812	27,280	1,101,480
Property, plant and equipment and intangible assets	299,731	232,484	103,112	9,823	645,150

### 5. Major Customers

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.

For the year ended December 31, 2018

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

## Breakdown of Operating Expenses

(Millions of Yen)

	Fiscal year ended December 31, 2017 (January 1 to December 31, 2017)	Fiscal year ended December 31, 2018 (January 1 to December 31, 2018)
Advertising and promotion expenditures	152,383	193,279
Employee benefits expenses	160,310	176,373
Depreciation and amortization	54,376	72,429
Communication and maintenance expenses	22,249	27,361
Consignment and subcontract expenses	45,563	58,377
Allowance for doubtful accounts charged to expenses	28,406	40,048
Cost of sales of merchandise and service revenue	231,609	270,004
Interest expense for finance business	5,618	6,701
Commission expense for finance business	9,787	10,897
Insurance claims and other payments, and provision of policy reserves and others for insurance business	14,364	35,261
Others	112,885	137,023
Total	837,550	1,027,753

## (Other Income)

(Millions of Yen)

	Fiscal year ended December 31, 2017 (January 1 to December 31, 2017)	Fiscal year ended December 31, 2018 (January 1 to December 31, 2018)
Gains on sales of subsidiary stock (note 1)	5,971	23,574
Valuation gains on securities (note 2)	42,612	79,220
Others	2,513	17,840
Total	51,096	120,634

Note 1: A gain on sales of shares in O-net, Inc. of ¥23,574 million has been recorded for the fiscal year ended December 31, 2018.

Note 2: 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.

In addition, during the fiscal year ended December 31, 2018, the Rakuten Group recorded ¥40,443 million in valuation gains on securities mostly related to investments in the ride-sharing business.

**(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:

(Millions of yen)

	Fiscal year ended December 31, 2017			Fiscal year ended December 31, 2018		
	Basic	Adjustments	Diluted	Basic	Adjustments	Diluted
Net income attributable to owners of the parent company (Millions of yen)	110,585	(1)	110,584	142,282	—	142,282
Weighted average number of shares (Thousands of shares)	1,381,860	13,022	1,394,882	1,349,560	13,535	1,363,095
Earnings per share (yen)	80.03	(0.75)	79.28	105.43	(1.05)	104.38

**Notes on significant subsequent events**

No items to report