

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 three months ended March 31, 2014

Rakuten, Inc.
May 8, 2014

Company name	Rakuten, Inc.	Listed	Tokyo Stock Exchange
Code No	4755	URL	http://www.rakuten.co.jp/
Representative	(Title) Chairman and CEO	(Name)	Hiroshi Mikitani
Contact person	(Title) CFO	(Name)	Yoshihisa Yamada
Scheduled date of filing the securities report: May 8, 2014		Date of commencement of dividend payments: —	
Supplementary materials for quarterly financial results: Yes			
Quarterly financial results information meeting held: Yes (For institutional investors and analysts)			

1. Consolidated Results for the three months ended March 31 of Fiscal 2014 (January 1 – March 31, 2014)

(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	%
Three months ended March 31, 2014	138,263	22.2	22,563	(1.5)	22,210	(0.9)	16,193	13.4
Three months ended March 31, 2013	113,148	26.0	22,911	23.1	22,412	23.0	14,275	40.1

	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
Three months ended March 31, 2014	16,113	13.1	12,248	(45.0)	12.22	12.14
Three months ended March 31, 2013	14,245	40.1	22,266	28.8	10.83	10.81

(2) Consolidated Financial Position

	Total assets	Total net assets	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 March 31, 2014	3,083,565	314,532	308,272	10.0
As of December 31, 2013	3,209,808	306,454	300,063	9.3

2. Dividend Distribution

	Annual dividend per share				
	1Q	2Q	3Q	Annual	Total
	Yen	Yen	Yen	Yen	Yen
FY2013	—	0.00	—	4.00	4.00
FY2014	—	—	—	—	—
FY2014 (Forecast)	—	—	—	—	—

Note: Dividend per share for FY2014 is not yet decided, and there are no changes to this previously disclosed dividend forecast.

3. Forecast of Consolidated Operating Results for Fiscal 2014 (January 1 to December 31, 2014)

Consolidated revenue and operating income in Fiscal 2014, excluding the securities business whose results are heavily impacted by stock market (and excluding additional line items, if any), are expected to surpass the levels of Fiscal 2013. For details, see page P. 6 Qualitative Information, Financial Statements etc. (3) Qualitative Information about Consolidated Business Forecasts.

Note: There are no changes to this previously disclosed forecast of operating results.

Notes

(1) Changes in significant subsidiaries during the current period

(Changes in specified subsidiaries resulting in change in scope of consolidation): No

New — (Company name —) Excluded — (Company name —)

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

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

Note: For details, see page 7, 2. Matters regarding summary information (Others) (2) Outline of changes in accounting policies and accounting estimates.

(3) Number of shares issued (Common stock)

1. Total number of shares issued at the end of the period (including treasury stocks)
 - 1,326,429,700 shares (As of March 31, 2014)
 - 1,323,863,100 shares (As of December 31, 2013)
2. Number of treasury stocks at the end of the period
 - 6,033,339 shares (As of March 31, 2014)
 - 6,033,466 shares (As of December 31, 2013)
3. Average number of shares during the period (cumulative from the beginning of the period)
 - 1,318,512,655 shares (Three months ended March 31, 2014)
 - 1,314,686,838 shares (Three months ended March 31, 2013)

Indication regarding execution of quarterly review procedures

- This quarterly financial report is not intended for the quarterly review based on the Financial Instruments and Exchange Act. At the time of disclosure of this quarterly financial results report, the review procedures for quarterly consolidated financial statements in accordance with the Financial Instruments and Exchange Act are not completed.

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

- Consolidated forecasts for the year ending December 31, 2014 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.

Qualitative Information, Financial Statements, etc.

1. Qualitative Information Concerning Consolidated Business Results

(1) Business Results for the First Quarter of the Fiscal Year Ending December 31, 2014

In the world economy during the first quarter of the current fiscal year (January 1, 2014 to March 31, 2014), an improvement trend continued despite the impact of reduced monetary easing by the U.S. and signs of uncertainty regarding the economic outlook in newly developing regions. In the Japanese economy, a moderate recovery continued, as personal consumption increased due to last-minute demand associated with the consumption tax hike underpinned by the effect of monetary and financial measures and other factors.

Under such an environment, the Rakuten Group further strengthened its promotion of the growth strategy. Specifically, in the first quarter of the current fiscal year, we acquired VIBER MEDIA LTD. (hereinafter “Viber”), which operates a mobile messaging service and VoIP service on a global scale, and made it a wholly owned subsidiary. We believe that Viber’s wide customer base of over 300 million users will complement the Group’s digital strategy, while firming up our platform for global expansion of Internet Services and Internet Finance services. In addition, in Internet Services, the Rakuten Group enhanced its services for smart devices (smartphones and tablet devices), and promoted Rakuten Ichiba’s B2B2C marketplace model to the world mainly through large-scale sales events such as the Rakuten Super Sale, while in Internet Finance, the membership base for Rakuten Card expanded further. Through these measures, the Rakuten ecosystem continues to show solid expansion and growth.

As a result of these efforts, the Rakuten Group achieved revenue of ¥138,263 million, a 22.2% year-on-year increase, in the first quarter of the current fiscal year. Operating income decreased 1.5% year on year to ¥22,563 million, due to temporary losses, etc. arising from management rationalization at some overseas ventures, and net income attributable to owners of the parent company amounted to ¥16,113 million, up 13.1% compared to the same period of the previous year.

(Millions of yen)

	Three months ended March 31, 2013	Three months ended March 31, 2014	Amount Change YoY	% Change YoY
Revenue	113,148	138,263	25,115	22.2%
Operating income	22,911	22,563	(348)	(1.5)%
Net income (Attributable to owners of the parent company)	14,245	16,113	1,868	13.1%

(2) Segment Information

Business results for each segment are as follows:

Internet Services

In the Internet Services segment during the first quarter of the current fiscal year, Rakuten actively worked on strengthening its services for smart devices, promoting personalized marketing which utilizes big data, and executing large-scale sales events such as the Rakuten Super Sale among other initiatives in its core Rakuten Ichiba service. As a result of these initiatives, the number of unique buyers and number of orders performed strongly. Rakuten’s domestic e-commerce gross merchandise sales recorded a rise of 31.7% over the same period of the previous year, reflecting last-minute demand associated with the consumption tax hike, and the segment continues to see a high level of growth. In Travel services, demand was strong for leisure travel sales, car rental and inbound services (services for reservations from foreign language websites), resulting in a 13.5% year-on-year increase in gross transaction value despite the impact of the heavy snowfall in February.

In its overseas ventures, Rakuten focused on developing its marketplace-model services. Consequently, gross merchandise sales for these services have grown and are contributing to the expansion of operations.

As a result, revenue for the segment rose to ¥84,906 million, a 23.6% year-on-year increase. While profit from existing businesses continue to grow steadily, segment profit declined 35.9% year-on-year to ¥10,078 million as a result of continued investments in future growth fields, in addition to the recording of temporary losses, etc. due to management rationalization at some overseas ventures.

(Millions of yen)

	Three months ended March 31, 2013	Three months ended March 31, 2014	Amount Change YoY	% Change YoY
Segment Revenue	68,667	84,906	16,239	23.6%
Segment Profit	15,727	10,078	(5,649)	(35.9)%

Internet Finance

In the Internet Finance segment during the first quarter of the current fiscal year, in credit card and related services, shopping transaction value, accompanying an increase in Rakuten Card membership, rose 51.3% over the same period of the previous year. Moreover, solid growth in revolving shopping balances resulted in a rise in income including commission income, and notable growth continues in profit. In securities services, profit continued to grow, as domestic stock trading value remained at a high level, among other factors. In banking services, solid growth in loan balances led to increased interest income from loans.

As a result of the above, the Internet Finance segment recorded ¥54,390 million in revenue, a 17.8% year-on-year increase, while segment profit grew 11.1% year on year to ¥11,207 million.

(Millions of yen)

	Three months ended March 31, 2013	Three months ended March 31, 2014	Amount Change YoY	% Change YoY
Segment Revenue	46,170	54,390	8,220	17.8%
Segment Profit	10,088	11,207	1,119	11.1%

Others

In the Others segment during the first quarter of the current fiscal year, operating profit remained strong in telecommunications services due to the growth of call services for smartphones such as Rakuten Denwa, and cloud services. In the professional sports division, profit was recorded as a result of transfer fee revenue associated with the transfer of a key player, as well as robust sponsor sales and sales of related goods.

As a result, revenue for the segment was ¥9,729 million, a 44.8% year-on-year increase, while segment profit was ¥1,643 million, compared with a loss of ¥ 205 million for the same period of the previous year.

(Millions of yen)

	Three months ended March 31, 2013	Three months ended March 31, 2014	Amount Change YoY	% Change YoY
Segment Revenue	6,717	9,729	3,012	44.8%
Segment Profit (Loss)	(205)	1,643	1,848	-

Qualitative Information Concerning Consolidated Financial Position

i) Assets, Liabilities, and Net Assets

Assets

Total assets at the end of the first quarter of the current fiscal year amounted to ¥3,083,565 million, a decrease of ¥126,243 million from ¥3,209,808 million at the end of the previous fiscal year. Primary factors were a ¥89,165 million increase in intangible assets associated with factors such as the acquisition of Viber and an increase of ¥46,603 million in loans for credit card business, which were offset by a ¥260,712 million decrease in financial assets for securities business and a ¥29,632 million decrease in cash and cash equivalents.

Liabilities

Total liabilities at the end of the first quarter of the current fiscal year were ¥2,769,033 million, a decrease of ¥134,321 million from ¥2,903,354 million at the end of the previous fiscal year. Primary factors were a ¥91,575 million increase in bonds and borrowings, an amount offset by a ¥237,186 million decrease in financial liabilities for securities business.

Equity

Equity at the end of the first quarter of the current fiscal year stood at ¥314,532 million, an increase of ¥8,078 million compared with the ¥306,454 million at the end of the previous fiscal year. Primary factors were a ¥10,813 million increase in retained earnings resulting from factors including ¥16,113 million in net income attributable to owners of the parent company for the first quarter of the current fiscal year and cash dividends paid of ¥5,271 million, and a ¥3,945 million decrease in other components of equity resulting from fluctuations in the foreign exchange market.

ii) Cash Flows

Cash and cash equivalents at the end of the first quarter of the current fiscal year was ¥354,376 million, a decrease of ¥29,632 million from the end of the previous fiscal year. Cash flow conditions and their major factors for the first quarter of the current fiscal year are as follows:

Net cash flows from operating activities

Net cash flows from operating activities for the first quarter of the current fiscal year resulted in a cash inflow of ¥1,645 million (compared with a cash outflow of ¥35,460 million for the same period of the previous year). Primary factors included a cash outflow of ¥46,603 million for an increase in loans for credit card business, a cash outflow of ¥19,057 million for an increase in loans for banking business, a net cash inflow of ¥23,526 million following changes in financial assets and financial liabilities for securities business (a cash inflow of ¥260,712 for a decrease in financial assets and a cash outflow of ¥237,186 million for a decrease in financial liabilities), and a cash inflow of ¥22,210 million for income before income tax.

Net cash flows used in investing activities

Net cash flows used in investing activities for the first quarter of the current fiscal year resulted in a cash outflow of ¥113,444 million (compared with a cash inflow of ¥35,172 million for the same period of the previous year). Primary factors included a cash outflow of ¥73,917 million for acquisition of subsidiaries, a net cash outflow of ¥12,949 million for purchase and sales of investment securities for banking business (a cash outflow of ¥67,792 million for purchase of investment securities and a cash inflow of ¥54,843 million for proceeds from sales and redemption of investment securities), and a cash outflow of ¥6,618 million for purchase of intangible assets including software.

Net cash flows from financing activities

Net cash flows from financing activities for the first quarter of the current fiscal year resulted in a cash inflow of ¥83,332 million (compared with a cash inflow of ¥13,141 million for the same period of the previous year). Primary factors included a cash outflow of ¥24,534 million for repayment of long-term debt,

a cash outflow of ¥15,831 million for net decrease in short-term borrowings, and a cash inflow of ¥138,767 million for proceeds from long-term debt.

(3) Qualitative Information about Consolidated Business Forecasts

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

Internet Services

Strong growth in revenue is expected for Rakuten Ichiba and Travel services, and corresponding growth in profit is expected. Although it is possible that the growth rate in the second half of the fiscal year ending December 31, 2014 will be relatively moderate compared to the second half of the fiscal year ended December 31, 2013, where the first victory sale of the Tohoku Rakuten Golden Eagles baseball team (“Rakuten Eagles”) in the Nippon Series had considerable effect, the upward trend in gross transaction value is expected to maintain its strong momentum amid market expansion, enhancements to Rakuten Group services, and other factors. Meanwhile, while medium- to long-term profit growth is expected, Rakuten plans to make strategic advance investments in new businesses such as contents services and logistics services, which are just emerging.

Internet Finance

In credit card and related services, revenue growth is expected to be high, on a level with that of the fiscal year ended December 31, 2013. Even taking into consideration the rise in marketing costs associated with capturing new members, profit is expected to surpass that of the fiscal year ended December 31, 2013. In banking services, robust profit is expected following an increase in assets. Meanwhile, it is difficult to make a forecast for securities services due to the substantial impact of stock market conditions. However, domestic stock trading value in April, which is an important indicator for securities services, stood at ¥2,932,247 million (a 55.5% decrease over the same month in the previous fiscal year).

Others

Stable profit growth is expected in telecommunications services. In the professional sports division, profit was recorded due to transfer fee revenue associated with the transfer of a key player during the current fiscal year. However, earnings such as ticket revenue and sponsor revenue may be affected by the performance of the Rakuten Eagles. As for messaging services, it is difficult to estimate its revenue as of this time.

2. Matters regarding summary information (Others)

(1) Changes in significant subsidiaries during the current period

No items to report.

(2) Outline of changes in accounting policies and accounting estimates

(Changes in accounting policies as required under IFRS)

Apart from the cases stated as follows, significant accounting policies adopted by the Rakuten Group in this summary of consolidated financial statements for the three months ended March 31, 2014 basically remain the same as those adopted in the consolidated financial statements for the previous fiscal year. In addition, income tax expense for the three months ended March 31, 2014 is calculated based upon estimated annual effective tax rate.

Impact from the adoption of the new accounting standards

The Rakuten Group adopted the following accounting standards from the first quarter of the current fiscal year.

IFRS		Newly established or revised contents
IAS 32	Financial instruments: presentation (Amended Dec. 2011)	Clarification of the meaning of requirements of possession of current rights which are legally enforceable and clarification of offsetting criteria regarding settlement systems which apply gross settlement mechanisms that are not carried out simultaneously under existing IAS 32
IAS 36	Impairment of assets (Amended May 2013)	Clarification of the guidelines on disclosures of a recoverable amount of cash-generating units, which include important goodwill and intangible assets with indefinite useful lives

These standards have been adopted in accordance with their respective transitional provisions, and the adoption of above standards has no significant impact on the three months ended March 31, 2014.

3. Quarterly Consolidated Financial Statements (Summary)
(1) Consolidated Statement of Financial Position (Summary)

(Millions of Yen)

	As of December 31, 2013	As of March 31, 2014
(Assets)		
Cash and cash equivalents	384,008	354,376
Accounts receivable - trade	73,443	68,951
Financial assets for securities business	1,218,987	958,275
Loans for credit card business	544,314	590,917
Investment securities for banking business	197,897	210,523
Loans for banking business	239,818	258,874
Investment securities for insurance business	10,233	11,813
Derivative assets	12,588	12,335
Investment securities	34,025	36,393
Other financial assets	159,058	148,870
Investments in associates and joint ventures	8,189	8,230
Property, plant and equipment	30,408	30,917
Intangible assets	235,881	325,046
Deferred tax assets	31,594	38,303
Other assets	29,365	29,742
Total assets	3,209,808	3,083,565

(Millions of Yen)

	As of December 31, 2013	As of March 31, 2014
Liabilities		
Accounts payable - trade	115,357	120,869
Deposits for banking business	959,960	967,297
Financial liabilities for securities business	1,077,971	840,785
Derivative liabilities	8,023	6,126
Bonds and borrowings	389,683	481,258
Other financial liabilities	226,771	231,245
Income taxes payable	30,191	21,603
Provisions	41,020	42,093
Policy reserves and others for insurance business	18,852	19,103
Deferred tax liabilities	9,123	8,822
Other liabilities	26,403	29,832
Total liabilities	2,903,354	2,769,033
Net assets		
Equity attributable to owners of the parent company		
Common stock	109,530	110,625
Capital surplus	116,555	116,801
Retained earnings	61,226	72,039
Treasury stock	(3,649)	(3,649)
Other components of equity	16,401	12,456
Total equity attributable to owners of the parent company	300,063	308,272
Non-controlling interests	6,391	6,260
Total net assets	306,454	314,532
Total liabilities and net assets	3,209,808	3,083,565

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

Consolidated Statements of Income (Summary)

(For the three months ended March 31, 2013 and 2014)

(Millions of yen)

	Three months ended March 31, 2013 (January 1 to March 31, 2013)	Three months ended March 31, 2014 (January 1 to March 31, 2014)
Continuing Operations		
Revenue	113,148	138,263
Operating expenses	90,079	111,375
Other income	542	276
Other expenses	700	4,601
Operating income	22,911	22,563
Financial income	57	71
Financial expenses	505	522
Share of profit/(loss) of associates	(51)	98
Income before income tax	22,412	22,210
Income tax expense	8,137	6,017
Net income	14,275	16,193
Net income attributable to:		
Owners of the parent company	14,245	16,113
Non-controlling interests	30	80
Net income	14,275	16,193
Earnings per share attributable to owners of the parent company (Yen)		
Basic	10.83	12.22
Diluted	10.81	12.14

Consolidated Statement of Comprehensive Income (Summary)
(For the three months ended March 31, 2013 and 2014)

(Millions of yen)

	Three months ended March 31, 2013 (January 1 to March 31, 2013)	Three months ended March 31, 2014 (January 1 to March 31, 2014)
Net income	14,275	16,193
Other comprehensive income		
Items that will not be reclassified to net income		
Gains and losses on financial assets measured at fair value through other comprehensive income	3,450	603
Income tax relating to gains and losses on financial assets measured at fair value through other comprehensive income	(1,198)	(261)
Share of other comprehensive income of associates	10	(6)
Total items that will not be reclassified to net income	2,262	336
Items that will be reclassified to net income		
Foreign currency translation adjustments	5,782	(4,173)
Portion of gains or losses on effective cash flow hedges recognized in other comprehensive income	(129)	(235)
Income tax relating to the portion of gains or losses on effective cash flow hedges recognized in other comprehensive income	46	84
Portion of gains or losses on effective cash flow hedges reclassified from other comprehensive income to net income	48	67
Income tax relating to the portion of gains or losses on effective cash flow hedges reclassified from other comprehensive income to net income	(18)	(24)
Total items that will be reclassified to net income	5,729	(4,281)
Other comprehensive income, net of tax	7,991	(3,945)
Comprehensive income	22,266	12,248
Total comprehensive income attributable to		
Owners of the parent company	22,198	12,168
Non-controlling interests	68	80
Comprehensive income	22,266	12,248

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

(Millions of yen)

	Other components of equity								Total equity attributable to owners of the parent company	Non-controlling interests	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Foreign currency translation adjustments	Financial instruments measured at fair value through other comprehensive income	Cash flow hedges	Total other components of equity			
As of January 1, 2013	108,255	116,599	20,873	(3,626)	(7,782)	1,826	(203)	(6,159)	235,942	5,970	241,912
Comprehensive income											
Net income			14,245						14,245	30	14,275
Other comprehensive income, net of tax					5,745	2,261	(53)	7,953	7,953	38	7,991
Total comprehensive income	—	—	14,245	—	5,745	2,261	(53)	7,953	22,198	68	22,266
Transactions with owners											
Contributions by and distributions to owners of the Company											
Issuance of common stock	137	137							274		274
Cash dividends paid			(3,944)						(3,944)		(3,944)
Transfer of other components of equity to retained earnings			1,775			(1,775)		(1,775)			
Others		154	(352)	(23)					(221)		(221)
Total contributions by and distributions to owners of the Company	137	291	(2,521)	(23)	—	(1,775)	—	(1,775)	(3,891)	—	(3,891)
Changes in ownership interests in subsidiaries											
Issuance of common stock										34	34
Acquisitions and disposals of non-controlling interests		(1,046)							(1,046)	83	(963)
Others		47							47	(20)	27
Total changes in ownership interests in subsidiaries	—	(999)	—	—	—	—	—	—	(999)	97	(902)
Total transactions with owners	137	(708)	(2,521)	(23)	—	(1,775)	—	(1,775)	(4,890)	97	(4,793)
As of March 31, 2013	108,392	115,891	32,597	(3,649)	(2,037)	2,312	(256)	19	253,250	6,135	259,385
As of January 1, 2014	109,530	116,555	61,226	(3,649)	10,491	6,231	(321)	16,401	300,063	6,391	306,454
Comprehensive income											
Net income			16,113						16,113	80	16,193
Other comprehensive income net of tax					(4,173)	336	(108)	(3,945)	(3,945)	0	(3,945)
Total comprehensive income	—	—	16,113	—	(4,173)	336	(108)	(3,945)	12,168	80	12,248
Transactions with owners											
Contributions by and distributions to owners of the Company											
Issuance of common stock	1,095	1,095							2,190		2,190
Cash dividends paid			(5,271)						(5,271)		(5,271)
Transfer of other components of equity to retained earnings											
Others		(25)	(29)						(54)		(54)

Total contributions by and distributions to owners of the parent company	1,095	1,070	(5,300)	—	—	—	—	—	(3,135)	—	(3,135)
Changes in ownership interests in subsidiaries											
Issuance of common stock										110	110
Acquisitions and disposals of non-controlling interests		(828)							(828)	(348)	(1,176)
Others		4							4	27	31
Total changes in ownership interests in subsidiaries	—	(824)	—	—	—	—	—	—	(824)	(211)	(1,035)
Total transactions with owners	1,095	246	(5,300)	—	—	—	—	—	(3,959)	(211)	(4,170)
As of March 31, 2014	110,625	116,801	72,039	(3,649)	6,318	6,567	(429)	12,456	308,272	6,260	314,532

(4) Consolidated Statement of Cash Flows (Summary)

(Millions of Yen)

	Three months ended March 31, 2013 (January 1 to March 31, 2013)	Three months ended March 31, 2014 (January 1 to March 31, 2014)
Net cash flows from operating activities		
Income before income tax	22,412	22,210
Depreciation and amortization	5,888	6,948
Other loss (profit)	(1,171)	4,029
Decrease in operating receivables	6,668	4,153
Increase in loans for credit card business	(9,182)	(46,603)
Increase in deposits for banking business	18,249	7,337
Decrease (Increase) in call loans for banking business	(17,000)	18,000
Increase in loans for banking business	(10,332)	(19,057)
Increase (Decrease) in operating payables	(7,272)	6,308
Increase (Decrease) in accounts payable — other and accrued expenses	(4,580)	2,741
Decrease (Increase) in financial assets for securities business	(244,134)	260,712
Increase (Decrease) in financial liabilities for securities business	208,107	(237,186)
Others	(2,325)	(6,296)
Income tax paid	(788)	(21,651)
Net cash flows used in (from) operating activities	(35,460)	1,645
Net cash flows from investing activities		
Increase in restricted deposits	(1)	(7,688)
Increase in time deposits	(1,587)	(1,217)
Decrease in time deposits	1,966	1,799
Purchase of property, plant and equipment	(1,096)	(2,106)
Purchase of intangible assets	(5,433)	(6,618)
Acquisition of subsidiaries	(9,430)	(73,917)
Purchase of investment securities for banking business	(25,131)	(67,792)
Proceeds from sales and redemption of investment securities for banking business	76,640	54,843
Purchase of investment securities for insurance business	(1,928)	(2,200)
Proceeds from sales and redemption of investment securities for insurance business	417	616
Purchase of investment securities	(800)	(2,855)
Proceeds from sales and redemption of investment securities	3,822	800
Other payments	(2,719)	(7,642)
Other proceeds	452	533
Net cash flows from (used in) investing activities	35,172	(113,444)
Net cash flows from financing activities		
Net increase (decrease) in short-term borrowings	16,160	(15,831)
Increase (Decrease) in commercial papers	10,000	(9,500)
Proceeds from long-term debt	24,500	138,767
Repayment of long-term debt	(33,812)	(24,534)
Cash dividends paid	(3,526)	(5,140)
Others	(181)	(430)
Net cash flows from financing activities	13,141	83,332

(Millions of Yen)

	Three months ended March 31, 2013 (January 1 to March 31, 2013)	Three months ended March 31, 2014 (January 1 to March 31, 2014)
Effect of change in exchange rates on cash and cash equivalents	1,639	(1,165)
Net increase (decrease) in cash and cash equivalents	14,492	(29,632)
Cash and cash equivalents at the beginning of the period	270,114	384,008
Cash and cash equivalents at the end of the period	284,606	354,376

(5) Assumptions for going concern

For the three months ended March 31, 2014 (January 1, 2014 – March 31, 2014)

No items to report

(6) Notes to the summary of consolidated financial statements for the three months ended March 31, 2014

Basis of preparation

The Rakuten Group’s summary of consolidated financial statements for the three months ended March 31, 2014 meets the requirements set out under Article 1-2, Paragraph 1, Item 2 of the Rules on Terminology, Formats and Compilation Methods of Quarterly Consolidated Financial Statements (Cabinet Office Ordinance No. 64 of 2007; hereinafter referred to as the “Rules on Quarterly Consolidated Financial Statements”) under which the Rakuten Group is qualified as a “specified company” and duly prepares such summary in accordance with IAS 34 “Interim Financial Reporting”, under the provisions of Article 93 of the Rules on Quarterly Consolidated Financial Statements. As this summary does not contain all the information required in annual consolidated financial statements, it ought to be used in combination with the consolidated financial statements for the fiscal year ended December 31, 2013.

Significant accounting policies

Apart from the cases stated as follows, significant accounting policies adopted by the Rakuten Group in this summary of consolidated financial statements for the three months ended March 31, 2014 basically remain the same as those adopted in the consolidated financial statements for the previous fiscal year.

Income tax expense for the three months ended March 31, 2014 is calculated based upon estimated annual effective tax rate.

Impact from the adoption of the new accounting standards

The Group adopted the following accounting standards from the first quarter of the current fiscal year.

IFRS		Newly established or revised contents
IAS 32	Financial instruments: presentation (Amended Dec. 2011)	Clarification of the meaning of requirements of possession of current rights which are legally enforceable and clarification of offsetting criteria regarding settlement systems which apply gross settlement mechanisms that are not carried out simultaneously under existing IAS 32
IAS 36	Impairment of assets (Amended May 2013)	Clarification of the guidelines on disclosures of a recoverable amount of cash-generating units, which include important goodwill and intangible assets with indefinite useful lives

These standards have been adopted in accordance with their respective transitional provisions, and the adoption of above standards has no significant impact on the three months ended March 31, 2014.

Significant accounting estimates and judgment

Preparation of the summary of consolidated financial statements under IFRS for the three months ended March 31, 2014 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 own judgments. 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 March 31, 2014 remain the same as those that had significant impact on the amounts in the consolidated financial statements for the previous fiscal year.

Segment Information

1. General Information

As a comprehensive internet service provider engaged in the two main activities of Internet Services and Internet Finance, the Group Companies are organized into three reportable segments: "Internet Services," "Internet Finance" and "Others."

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

The "Internet Services" segment comprises businesses running various EC (e-commerce) sites including an internet shopping mall Rakuten Ichiba, travel booking sites, portal sites and e-book business, along with business for advertising and sales of contents and similar on these sites.

The "Internet Finance" segment engages in businesses providing services over the Internet related to banking and securities, credit cards, life insurance and electronic money.

The "Others" segment comprises businesses involving provision of messaging and communication services and management of a professional baseball team.

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

The reported operating segments were accounted for in accordance with IFRS as stated in the significant accounting policies in the previous fiscal year, and the operating segment revenue and profit or loss are those before intersegment eliminations without consideration of consolidation adjustments, except for certain consolidated subsidiaries. Thus the operating segment profit or loss is the amount based on operating income or loss in accordance with IFRS which includes allocated corporate expenses.

In addition, the Rakuten Group does not allocate assets and liabilities to operating segments used by the chief operating decision maker.

For the three months ended March 31, 2013 (January 1 to March 31, 2013)

(Millions of Yen)

	Internet Services	Internet Finance	Others	Total
Segment Revenue	68,667	46,170	6,717	121,554
Segment Profit (Loss)	15,727	10,088	(205)	25,610

For the three months ended March 31, 2014 (January 1 to March 31, 2014)

(Millions of Yen)

	Internet Services	Internet Finance	Others	Total
Segment Revenue	84,906	54,390	9,729	149,025
Segment Profit	10,078	11,207	1,643	22,928

Reconciliation from Segment Revenue to Consolidated Revenue

(Millions of Yen)

	Three months ended March 31, 2013 (January 1 to March 31, 2013)	Three months ended March 31, 2014 (January 1 to March 31, 2014)
Segment Revenue	121,554	149,025
Intercompany Transactions, etc.	(8,406)	(10,762)
Consolidated Revenue	113,148	138,263

Reconciliation from Segment Profit to Income Before Income Tax

(Millions of Yen)

	Three months ended March 31, 2013 (January 1 to March 31, 2013)	Three months ended March 31, 2014 (January 1 to March 31, 2014)
Segment Profit	25,610	22,928
Intercompany Transactions, etc.	(2,699)	(365)
Operating Income	22,911	22,563
Financial Income and Expenses	(448)	(451)
Share of Profit (Loss) of Associates	(51)	98
Income Before Income Tax	22,412	22,210

Breakdown of Operating Expenses

(Millions of Yen)

	Three months ended March 31, 2013 (January 1 to March 31, 2013)	Three months ended March 31, 2014 (January 1 to March 31, 2014)
Advertising and promotion expenditures	15,096	18,663
Employee benefits expenses	20,730	26,180
Depreciation and amortization	5,888	6,948
Communication and maintenance expenses	4,232	4,832
Consignment and subcontract expenses	6,097	7,468
Allowance for doubtful accounts charged to expenses	3,205	3,780
Cost of sales of merchandise	10,283	12,801
Interest expense for finance business	1,201	1,309
Commission fee expense for finance business	1,227	1,452
Insurance claims and other payments, and provision of policy reserves and others for insurance business	2,806	2,745
Others	19,314	25,197
Total	90,079	111,375

Notes on significant subsequent events:

No items to report