Rakuten

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

Consolidated Financial Reports (IFRS)
For the three months ended March 31, 2015

Rakuten, Inc.
May 8, 2015

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, 2015
Supplementary materials for financial results: Yes
Financial results information meeting held: Yes (For institutional investors and analysts)

1. Consolidated Results for the three months ended March 31, 2015 (January 1 – March 31, 2015)

(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, 2015	158,819	14.9	29,040	28.7	28,808	29.7	14,290	(11.8)
Three months ended March 31, 2014	138,263	22.2	22,563	(1.5)	22,210	(0.9)	16,193	13.4

	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, 2015	14,195	(11.9)	4,110	(66.4)	10.73	10.66
Three months ended March 31, 2014	16,113	13.1	12,248	(45.0)	12.22	12.14

(2) Consolidated Financial Position

	Total assets	Total equity	Total equity attributable to owners of the parent company	Ratio of total equity attributable to owners of the parent company to total assets
	Millions of yen	Millions of yen	Millions of yen	%
As of March 31, 2015	3,824,083	441,437	434,694	11.4
As of December 31, 2014	3,680,695	428,086	421,562	11.5

Rakuten

2. Dividend Distribution

	Annual dividend per share				
	Q1	Q2	Q3	Annual	Total
	Yen	Yen	Yen	Yen	Yen
FY2014	—	0.00	—	4.50	4.50
FY2015	—				
FY2015 (Forecast)		—	—	—	—

Note: Dividend per share for FY2015 is not yet decided, and there are no changes to this previously disclosed dividend forecast.

3. Forecast of Consolidated Operating Results for Fiscal 2015 (January 1 to December 31, 2015)

In Fiscal 2015, consolidated revenue and non-GAAP operating income (a level of profit based on IFRS operating income adjusted for amortization of acquisition-related intangible assets, stock-based compensation, and one-off items), excluding the securities business whose results are heavily impacted by the stock market, are expected to surpass the levels of fiscal 2014.

(Millions of yen)

	Revenue	Non-GAAP Operating Income
Fiscal Year ended December 31, 2014	598,565	118,092

For details, see page P. 9 Qualitative Information, Financial Statements, etc. (3) Qualitative Information about Consolidated Business Forecasts. There are no changes to this previously disclosed forecast.

Notes

(1) Changes in significant subsidiaries during the current period
(Changes in specified subsidiaries resulting in change in scope of consolidation): No

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

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

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

For details, see page P. 10, 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)
   1,330,055,400 shares (As of March 31, 2015)
   1,328,603,400 shares (As of December 31, 2014)
2. Number of treasury stocks at the end of the period
   6,033,133 shares (As of March 31, 2015)
   6,033,034 shares (As of December 31, 2014)
3. Average number of shares during the period (cumulative from the beginning of the year)
   1,322,984,017 shares (Three months ended March 31, 2015)
   1,318,512,655 shares (Three Months ended March 31, 2014)

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, 2015 are based on information that is available at the time of writing, but a number of known and unknown factors could cause actual results to differ from the projections.

1. Qualitative Information, Financial Statements, etc.

(1) Qualitative Information Concerning Consolidated Business Results

Starting from the first quarter of the current fiscal year (January 1, 2015 to March 31, 2015), the Rakuten Group is disclosing consolidated business results in terms of both its internal measures 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 prescribed by the Rakuten Group. These items include amortization of intangible assets recognized at the time of acquiring shares of subsidiaries, stock-based compensation expense, along with one-off items, which Rakuten believes shall be excluded. Rakuten believes that the Non-GAAP financial measures are useful for investors and other stakeholders for understanding the underlying business results of the Rakuten Group and its future outlook.

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

i) Business Results for the First Quarter of the Fiscal Year Ending December 31, 2015 (Non-GAAP basis)

The world economy during the first quarter of the current fiscal year (January 1 to March 31, 2015) stayed on a recovery track despite the impact of a trend toward normalization of U.S. monetary policy and the uncertainty over the future outlook of European and emerging economies and crude oil prices. The Japanese economy, amid an improving trend in wage and employment conditions, continued its gradual recovery with solid consumer spending and other factors in the wake of the effects of falling crude oil prices and various economic policies.

Under such an environment, the Rakuten Group has further promoted its growth strategy. In Internet Services, despite the absence of the last-minute demand prior to the consumption tax hike as seen in the same period of the previous fiscal year in domestic services including Rakuten Ichiba and Rakuten Travel, the Group strengthened services for smart devices (smartphones and tablet devices) and held large-scale sales events such as the Rakuten Super Sale, achieving strong results. For contents services, the Group addressed strict cost controls while continuing strategic investments for future profit growth, which put the results on track for improvement. The Group also decided during the first quarter of the current fiscal year to acquire OverDrive Holdings, Inc. (U.S.), a full-service digital distributor of eBooks, audio books and other content to libraries and educational institutions, and made it a wholly owned subsidiary in April 2015. In Internet Finance, the further expansion of the membership base for Rakuten Card brought in more commission income, and the smoothly growing services of Rakuten Securities and Rakuten Bank contributed to a substantial increase in profit as well.

As a result of these efforts, the Rakuten Group for the first quarter of the current fiscal year achieved revenue of ¥158,819 million, up 14.9% year-on-year, and Non-GAAP operating income of ¥32,095 million, up 17.3% year-on-year.

(Non-GAAP basis) (Millions of yen)

	Three months ended March 31, 2014	Three months ended March 31, 2015	Amount Change YoY	% Change YoY
Revenue	138,263	158,819	20,556	14.9%
Non-GAAP operating income	27,366	32,095	4,729	17.3%

ii) Business Results for the First Quarter of the Fiscal Year Ending March 31, 2015 (IFRS basis)

The Rakuten Group recorded revenue of ¥158,819 million, up 14.9% year-on-year, and IFRS operating income of ¥29,040 million, up 28.7% year-on-year, for the first quarter of the current fiscal year. With a temporary decrease in tax expenses following the merger with its subsidiary in the same period of the previous fiscal year, the Group's net income attributable to owners of the parent company decreased by 11.9% year-on-year to ¥14,195 million.

(IFRS basis) (Millions of yen)

	Three months ended March 31, 2014	Three months ended March 31, 2015	Amount Change YoY	% Change YoY
Revenue	138,263	158,819	20,556	14.9%
IFRS operating income	22,563	29,040	6,477	28.7%
Net income (Attributable to owners of the parent company)	16,113	14,195	(1,918)	(11.9)%

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

For the first quarter of the current fiscal year, amortization of intangible assets of ¥1,696 million, up 31.0% year-on-year, and stock-based compensation expense of ¥1,359 million, up 198.7% year-on-year, were deducted for Non-GAAP operating income. There were no one-off items recognized during the first quarter of the current fiscal year. Unusual items recognized for the same period of the previous fiscal year include provision related to changes in strategies of overseas subsidiaries (net), impairment of goodwill and intangible assets, and reversal of provision for customer points due to the consumption tax hike.

(Millions of yen)

	Three months ended March 31, 2014	Three months ended March 31, 2015	Amount Change YoY	% Change YoY
IFRS operating income	22,563	29,040	6,477	28.7%
Amortization of intangible assets	1,295	1,696	401	31.0%
Stock-based compensation	455	1,359	904	198.7%
One-off items	3,053	-	(3,053)	(100.0)%
Non-GAAP operating income	27,366	32,095	4,729	17.3%

iv) Segment Information

Business results for each segment are as follows. In terms of the IFRS management approach, segment profit or loss are changed to the form of Non-GAAP operating income, and the past segment profit or loss are reclassified accordingly.

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 Rakuten Super Sale among other initiatives in its core Rakuten Ichiba service. As a result of these initiatives, despite the absence of the last-minute demand prior to the consumption tax hike as seen in the same period of the previous fiscal year, a decrease in domestic e-commerce gross merchandise sales was limited to 1.2% decrease year-on-year, continuing to show solid results. In Travel services, strong demand was seen in the reservations related to Hokuriku region with the launch of operations for the Hokuriku Shinkansen and for the Golden Week period, as well as in domestic travels, car rental, and inbound services (services for reservations directed from foreign language websites). In overseas e-commerce services, Ebates Inc., which became a subsidiary in October 2014, contributed significantly to the expansion of operations. For contents services, we addressed strict cost controls while continuing strategic investments for future profit growth, leading to improvement in performance.

As a result, revenue for the segment rose to ¥96,122 million, a 13.2% year-on-year increase, resulting in segment profit of ¥19,028 million, a 30.5% year-on-year increase.

(Millions of yen)

	Three months ended March 31, 2014	Three months ended March 31, 2015	Amount Change YoY	% Change YoY
Segment Revenue	84,906	96,122	11,216	13.2%
Segment Profit	14,585	19,028	4,443	30.5%

Internet Finance

In the Internet Finance segment for the first quarter of the current fiscal year, shopping transaction value grew by 16.5% year-on-year in credit card and related services due to a growth in Rakuten Card membership. Moreover, solid growth in revolving balances resulted in a rise in income including commission income. A significant profit increase was achieved as a result of the recognition of recoverable amount with regard to costs related to contract acquisition with customers as assets in accordance with the application of IFRS 15 (Note) in addition to steady revenue growth. In securities services, domestic stock trading value was solid as the Japanese stock market maintained strong performance, and profits continued to grow steadily with an increase in foreign exchange margin transaction volume resulting from volatile foreign exchange market. In banking services, profits continued to grow due to an increase in interest income from loans with expanding loan balances and the effect of improvement in cost efficiency.

As a result of the above, the Internet Finance segment recorded ¥65,460 million in revenue, a 20.4% year-on-year increase, while segment profit was ¥15,913 million, a 38.8% year-on-year increase.

(Millions of yen)

	Three months ended March 31, 2014	Three months ended March 31, 2015	Amount Change YoY	% Change YoY
Segment Revenue	54,390	65,460	11,070	20.4%
Segment Profit	11,467	15,913	4,446	38.8%

Note: For details on IFRS 15, see page 18: Note (6) Notes to the summary of consolidated financial statements for the three months ended March 31, 2015, Effect of applying accounting standard newly established.

Others

In the Others segment during the first quarter of the current fiscal year, strategic investments were continued for the future growth of VIBER MEDIA LTD., a messaging and VoIP services provider which became a consolidated subsidiary in March 2014. In professional sports division, as for the Tohoku Rakuten Golden Eagles baseball team, the sales of seats reserved for the full season reached a record high. However, the segment revenue and profit decreased due to the absence of profits from transfer associated with the transfer of a key player recorded in the same period of the previous fiscal year.

As a result, revenue for the segment was ¥9,643 million, a 0.9% year-on-year decrease, while segment loss was ¥2,462 million (compared with segment profit of ¥1,654 million for the same period of the previous fiscal year).

(Millions of yen)

	Three months ended March 31, 2014	Three months ended March 31, 2015	Amount Change YoY	% Change YoY
Segment Revenue	9,729	9,643	(86)	(0.9%)
Segment Profit (Loss)	1,654	(2,462)	(4,116)	—

(2) Analysis Concerning 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 ¥3,824,083 million, an increase of ¥143,388 million from ¥3,680,695 million at the end of the previous fiscal year. Primary factors were a ¥72,897 million increase in financial assets for securities business, a ¥43,070 million increase in investment securities associated with investments in Lyft, Inc., a ¥32,704 million increase in loans for banking business, and a ¥16,593 million increase in cash and cash equivalents, which were offset by a ¥23,758 million decrease in investment securities for banking business.

Liabilities

Total liabilities at the end of the first quarter of the current fiscal year were ¥3,382,646 million, an increase of ¥130,037 million from ¥3,252,609 million at the end of the previous fiscal year. The primary factors were increases of ¥86,368 million in financial liabilities for securities business, ¥52,228 million in bonds and borrowings, and ¥49,514 million in deposits for banking business, which were offset by a ¥24,275 million decrease in accounts payable - trade.

Equity

Equity at the end of the first quarter of the current fiscal year was ¥441,437 million, an increase of ¥13,351 million from ¥428,086 million at the end of the previous fiscal year. Primary factors were a ¥21,238 million increase in retained earnings resulting from factors including ¥14,195 million net income attributable to owners of the parent company, ¥13,244 million cumulative effects of changes in accounting policies, and ¥5,952 million cash dividends paid during the first quarter of the current fiscal year, which were offset by a ¥10,141 million decrease in other components of equity resulting from fluctuations in the foreign exchange rates.

ii) Cash Flows

Cash and cash equivalents at the end of the first quarter of the current fiscal year was ¥445,228 million, an increase of 16,593 million from the end of the previous fiscal year. Among these, deposits with the Bank of Japan for banking business was ¥294,627 million, an increase of ¥48,216 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 ¥7,616 million (compared with a cash inflow of ¥1,645 million for the same period of previous fiscal year). Primary factors included cash inflows of ¥49,539 million for an increase in deposits for banking business, ¥28,808 million for income before income tax, as well as a net cash inflow of ¥13,471 million for changes in financial assets and liabilities for securities business (a cash inflow of ¥86,368 million for financial liabilities increases, and a cash outflow of ¥72,897 million for financial assets increases), which were offset by cash outflows of ¥32,704 million for an increase in loans for banking business, ¥25,121 million for income tax paid, and ¥23,305 million for a decrease in operating payables.

Net cash flows from investing activities

Net cash flows from investing activities for the first quarter of the current fiscal year resulted in a cash outflow of ¥34,987 million (compared with a cash outflow of ¥113,444 million for the same period of previous fiscal year). Primary factors included cash outflows of ¥46,300 million for purchase of investment securities and ¥8,602 million for purchase of intangible assets including software, which were offset by net cash inflows of ¥23,560 million for purchase and sales of investment securities for banking business (a cash inflow of ¥83,550 million for proceeds from sales and redemption of investment securities, and a cash outflow of ¥59,990 million for the purchase of investment securities).

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 ¥46,506 million (compared with a cash inflow of ¥83,332 million for the same period of previous fiscal year). Primary factors were cash inflows of ¥25,500 million for an increase in commercial papers, ¥25,200 million for proceeds from long-term debt, and ¥17,912 million for net increase in short-term borrowings, which were offset by a cash outflow of ¥16,467 million for repayment of long-term debt.

(3) Qualitative Information about Consolidated Business Forecasts

For the forecast of consolidated operating results for Fiscal 2015, Non-GAAP operating income, after the adjustments of acquisition-related amortization of intangible assets, stock-based compensation expense, and one-off items, and excluding the securities business whose results are impacted by the stock market, is expected to surpass the levels of Fiscal 2014.

(Millions of yen)

	Revenue	Non-GAAP Operating Income
Fiscal Year ended December 31, 2014	598,565	118,092

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

Internet Services

The upward trend in gross transaction value is expected to be maintained amid expansion of the global e-commerce industry, enhancements of Rakuten Group services and other factors. In the Group's domestic e-commerce services, revenue is expected to grow more steadily in the second quarter for the current fiscal year than the same period of the previous fiscal year when revenue slackened due to a rebound from the last-minute demand after the consumption tax hike. Moreover, we project further growth in revenue in the second half for the current fiscal year, as well as in net income at the same level. For overseas e-commerce and contents services, by including Ebates Inc. and OverDrive Holdings, Inc. as consolidated subsidiaries, we expect revenue to increase and profit to improve.

Internet Finance

In credit card and related services, high revenue growth is expected to continue. Solid growth in revolving balances is expected to result in a rise in income including commission income, and further growth is expected to continue in profit. 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.

Others

Rakuten will continue to make strategic investments for future growth in mobile messaging services and communication services. In the first quarter of the current fiscal year, Vissel Kobe, operated by Crimson Football Club, had an impact as it became a consolidated subsidiary. The growth rate for the current fiscal year is also expected to be relatively moderate compared to the previous fiscal year, due to profit associated with the transfer of a key player which was recorded by the Tohoku Rakuten Golden Eagles baseball team.

In addition, the Rakuten Group plans to relocate its head office during or after the second quarter of the current fiscal year, and a certain degree of relocation-related one-off expense is projected to arise.

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)

The group companies early adopted the following accounting standard from the current fiscal year ending December 31, 2015.

IFRS		Newly established contents
IFRS 15	Revenue from contracts with customers (Newly established in May 2014)	New standard on accounting and disclosure for revenue recognition

The Group Companies adopted IFRS 15 in accordance with the transition elections available, and therefore retrospectively recognized the cumulative effect of initially applying the standard as an adjustment to the opening balance of retained earnings.

In accordance with IFRS 15, excluding interest, dividend and other such income from financial instruments recognized in accordance with IFRS 9 and insurance revenues recognized in accordance with IFRS 4, revenues are recognized upon transfer of promised goods or services to customers in amounts that reflect the consideration to which Group Companies expect to be entitled in exchange for those goods or services based on the following five step approach:

Step 1: Identify the contracts with customers

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

We recognize the incremental costs of obtaining contracts with customers and the costs incurred in fulfilling a contract with a customer as an asset if those costs are expected to be recoverable. The incremental costs of obtaining contracts are those costs that the Group Companies incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

As a result, other assets (assets arising from contract costs), deferred tax liabilities, retained earnings and non-controlling interests increased by ¥20,679 million, ¥7,305 million, ¥13,244 million and ¥103 million respectively, as compared to the amounts that would have been recorded had the previous accounting standard been applied. In addition, other assets (long-term prepaid expenses) decreased by ¥27 million.

Moreover, operating expenses decreased by ¥1,333 million, due to capitalization and amortization of assets arising from contract costs, for the three month period ended March 31, 2015 as compared to the amounts that would have been recorded had the previous accounting standard been applied. The impact from the adoption on other accounts on the profit and loss statement including revenue is immaterial.

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

(Millions of Yen)

	As of December 31, 2014	As of March 31, 2015
(Assets)		
Cash and cash equivalents	428,635	445,228
Accounts receivable - trade	88,871	78,459
Financial assets for securities business	1,110,888	1,183,785
Loans for credit card business	692,886	689,916
Investment securities for banking business	222,297	198,539
Loans for banking business	321,877	354,581
Investment securities for insurance business	12,205	12,746
Derivative assets	13,927	15,119
Investment securities	50,506	93,576
Other financial assets	144,283	141,828
Investments in associates and joint ventures	8,932	9,309
Property, plant and equipment	34,811	37,368
Intangible assets	490,679	485,361
Deferred tax assets	35,006	28,376
Other assets	24,892	49,892
Total assets	3,680,695	3,824,083

(Millions of Yen)

	As of December 31, 2014	As of March 31, 2015
Liabilities		
Accounts payable - trade	137,042	112,767
Deposits for banking business	1,137,195	1,186,709
Financial liabilities for securities business	995,141	1,081,509
Derivative liabilities	11,769	10,431
Bonds and borrowings	589,927	642,155
Other financial liabilities	242,616	218,195
Income taxes payable	27,129	16,699
Provisions	43,969	45,060
Policy reserves and others for insurance business	19,847	20,044
Deferred tax liabilities	12,437	11,417
Other liabilities	35,537	37,660
Total liabilities	3,252,609	3,382,646
Equity		
Equity attributable to owners of the parent company		
Common stock	111,602	112,266
Capital surplus	118,528	119,899
Retained earnings	124,796	146,034
Treasury stock	(3,649)	(3,649)
Other components of equity	70,285	60,144
Total equity attributable to owners of the parent company	421,562	434,694
Non-controlling interests	6,524	6,743
Total equity	428,086	441,437
Total liabilities and equity	3,680,695	3,824,083

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

Consolidated Statement of Income (Summary)
(For the three months ended March 31, 2014 and 2015)

(Millions of yen)

	Three months ended March 31, 2014 (January 1 to March 31, 2014)	Three months ended March 31, 2015 (January 1 to March 31, 2015)
Continuing Operations		
Revenue	138,263	158,819
Operating expenses	111,375	131,441
Other income	276	2,163
Other expenses	4,601	501
Operating income	22,563	29,040
Financial income	71	23
Financial expenses	522	853
Share of income of associates and joint ventures	98	598
Income before income tax	22,210	28,808
Income tax expense	6,017	14,518
Net income	16,193	14,290
Net income attributable to:		
Owners of the parent company	16,113	14,195
Non-controlling interests	80	95
Net income	16,193	14,290

(Yen)

Earnings per share attributable to owners of the parent company		
Basic	12.22	10.73
Diluted	12.14	10.66

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Consolidated Statement of Comprehensive Income (Summary)
(For the three months ended March 31, 2014 and 2015)

(Millions of yen)

	Three months ended March 31, 2014 (January 1 to March 31, 2014)	Three months ended March 31, 2015 (January 1 to March 31, 2015)
Net income	16,193	14,290
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	603	(39)
Income tax relating to gains and losses on financial assets measured at fair value through other comprehensive income	(261)	159
Share of other comprehensive income of associates	(6)	11
Total items that will not be reclassified to net income	336	131
Items that may be reclassified to net income		
Foreign currency translation adjustments	(4,173)	(10,284)
Portion of gains or losses on effective cash flow hedges recognized in other comprehensive income	(235)	(90)
Income tax relating to the portion of gains or losses on effective cash flow hedges recognized in other comprehensive income	84	4
Portion of gains or losses on effective cash flow hedges reclassified from other comprehensive income to net income	67	91
Income tax relating to the portion of gains or losses on effective cash flow hedges reclassified from other comprehensive income to net income	(24)	(32)
Total items that will be reclassified to net income	(4,281)	(10,311)
Other comprehensive income, net of tax	(3,945)	(10,180)
Comprehensive income	12,248	4,110
Total comprehensive income attributable to		
Owners of the parent company	12,168	4,105
Non-controlling interests	80	95
Comprehensive income	12,248	4,110

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

(Millions of yen)

	Common stock	Capital surplus	Retained earnings	Treasury stock	Other components of equity				Total equity attributable to owners of the parent company	Non-controlling interests	Total equity
					Foreign currency translation adjustments	Financial instruments measured at fair value through other comprehensive income	Cash flow hedges	Total other components of equity			
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											
Issuance of common stock	1,095	1,095							2,190		2,190
Cash dividends paid			(5,271)						(5,271)		(5,271)
Reclassification from other components of equity to retained earnings			–			–		–	–		–
Others		(25)	(29)	–					(54)		(54)
Total contributions by and distributions to owners	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
As of January 1, 2015	111,602	118,528	124,796	(3,649)	51,354	19,453	(522)	70,285	421,562	6,524	428,086
Cumulative effects of changes in accounting policies			13,244						13,244	103	13,347
Restated balance	111,602	118,528	138,040	(3,649)	51,354	19,453	(522)	70,285	434,806	6,627	441,433
Comprehensive income											
Net income			14,195						14,195	95	14,290
Other comprehensive income net of tax					(10,283)	130	(27)	(10,180)	(10,180)	(0)	(10,180)
Total comprehensive income	–	–	14,195	–	(10,283)	130	(27)	(10,180)	4,015	95	4,110
Transactions with owners											
Contributions by and distributions to owners											
Issuance of common stock	664	663							1,327		1,327
Cash dividends paid			(5,952)						(5,952)		(5,952)
Reclassification from other components of equity to retained earnings			(39)			39		39	–		–
Others		724	(210)	(0)					514		514
Total contributions by and distributions to owners	664	1,387	(6,201)	(0)	–	39	–	39	(4,111)	–	(4,111)
Changes in ownership interests in subsidiaries											
Issuance of common stock										16	16
Acquisitions and disposals of non-controlling interests		(13)							(13)	–	(13)
Others		(3)							(3)	5	2)
Total changes in ownership interests in subsidiaries	–	(16)	–	–	–	–	–	–	(16)	21	5
Total transactions with owners	664	1,371	(6,201)	(0)	–	39	–	39	(4,127)	21	(4,106)
As of March 31, 2015	112,266	119,899	146,034	(3,649)	41,071	19,622	(549)	60,144	434,694	6,743	441,437

(4) Consolidated Statement of Cash Flows (Summary)

(Millions of Yen)

	Three months ended March 31, 2014 (January 1 to March 31, 2014)	Three months ended March 31, 2015 (January 1 to March 31, 2015)
Net cash flows from operating activities		
Income before income tax	22,210	28,808
Depreciation and amortization	6,948	9,145
Other loss (profit)	4,029	(17)
Decrease in operating receivables	4,153	9,563
Increase in loans for credit card business	(46,603)	2,971
Increase in deposits for banking business	7,337	49,539
Decrease (Increase) in call loans for banking business	18,000	5,000
Increase in loans for banking business	(19,057)	(32,704)
Increase (Decrease) in operating payables	6,308	(23,305)
Decrease (Increase) in financial assets for securities business	260,712	(72,897)
Increase (Decrease) in financial liabilities for securities business	(237,186)	86,368
Others	(3,555)	(29,734)
Income tax paid	(21,651)	(25,121)
Net cash flows used in (from) operating activities	1,645	7,616
Net cash flows from investing activities		
Increase in restricted deposits	(7,688)	(466)
Increase in time deposits	(1,217)	(1,963)
Decrease in time deposits	1,799	1,345
Purchase of property, plant and equipment	(2,106)	(2,780)
Purchase of intangible assets	(6,618)	(8,602)
Acquisition of subsidiaries	(73,917)	(2,641)
Purchase of investment securities for banking business	(67,792)	(59,990)
Proceeds from sales and redemption of investment securities for banking business	54,843	83,550
Purchase of investment securities for insurance business	(2,200)	(599)
Proceeds from sales and redemption of investment securities for insurance business	616	57
Purchase of investment securities	(2,855)	(46,300)
Proceeds from sales and redemption of investment securities	800	3,302
Other payments	(7,642)	(2,334)
Other proceeds	533	2,434
Net cash flows from (used in) investing activities	(113,444)	(34,987)
Net cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(15,831)	17,912
Increase (Decrease) in commercial papers	(9,500)	25,500
Proceeds from long-term debt	138,767	25,200
Repayment of long-term debt	(24,534)	(16,467)
Cash dividends paid	(5,140)	(5,856)
Others	(430)	217
Net cash flows from financing activities	83,332	46,506
Effect of change in exchange rates on cash and cash equivalents	(1,165)	(2,542)

(Millions of Yen)

	Three months ended March 31, 2014 (January 1 to March 31, 2014)	Three months ended March 31, 2015 (January 1 to March 31, 2015)
Net increase (decrease) in cash and cash equivalents	(29,632)	16,593
Cash and cash equivalents at the beginning of the period	384,008	428,635
Cash and cash equivalents at the end of the period	354,376	445,228

(5) Assumptions for going concern

For the three months ended March 31, 2015 (January 1 – March 31, 2015)

No items to report

(6) Notes to the summary of consolidated financial statements for the three months ended March 31, 2015

Basis of preparation

The Rakuten Group's summary of consolidated financial statements for the three months ended March 31, 2015 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 provision of Article 93 of the Rules on Quarterly Consolidated Financial Statements. As this summary does not contain all the information required in annual consolidated financial statements, it ought to be used in combination with the consolidated financial statements for the fiscal year ended December 31, 2014.

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, 2015 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, 2015 is calculated based upon estimated annual effective tax rate.

Effect of applying accounting standard newly established

The Group Companies early adopted the following accounting standard from the current fiscal year ending December 31, 2015.

IFRS		Newly established contents
IFRS 15	Revenue from contracts with customers (Newly established in May 2014)	New standard on accounting and disclosure for revenue recognition

The Group Companies adopted IFRS 15 in accordance with the transition elections available, and therefore retrospectively recognized the cumulative effect of initially applying the standard as an adjustment to the opening balance of retained earnings.

In accordance with IFRS 15, excluding interest, dividend and other such income from financial instruments recognized in accordance with IFRS 9 and insurance revenues recognized in accordance with IFRS 4, revenues are recognized upon transfer of promised goods or services to customers in amounts that reflect the consideration to which the Group Companies expect to be entitled in exchange for those goods or services based on the following five step approach:

Step 1: Identify the contracts with customers

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

We recognize the incremental costs of obtaining contracts with customers and the costs incurred in fulfilling a contract with a customer as an asset if those costs are expected to be recoverable. The incremental costs of obtaining contracts are those costs that the Group Companies incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

As a result, other assets (assets arising from contract costs), deferred tax liabilities, retained earnings and non-controlling interests increased by ¥20,679 million, ¥7,305 million, ¥13,244 million and

¥103 million respectively as compared to the amounts that would have been recorded had the previous accounting standard been applied. In addition, other assets (long-term prepaid expenses) decreased by ¥27 million.

Moreover, operating expenses decreased by ¥1,333 million, due to capitalization and amortization of assets arising from contract costs, for the three month period ended March 31, 2015 as compared to the amounts that would have been recorded had the previous accounting standard been applied. The impact from the adoption on other accounts on profit and loss statement including revenue is immaterial.

Significant accounting estimates and judgments

Preparation of the summary of consolidated financial statements under IFRS for the three months ended March 31, 2015 involves accounting estimates in respect of certain significant matters. Meanwhile, in the process of adopting accounting policies, management of the Rakuten Group is requires to make own judgments. The result of accounting estimation by its nature could be different from the actual outcome.

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

Estimates and judgments, except for “assets arising from contract costs” stated above that have significant impact on the amounts in this summary of consolidated financial statements for the three months ended March 31, 2015, 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 Services, 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, online cash-back sites, travel booking sites, portal sites and digital content sites, along with business for advertising 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 others, and management of a professional baseball team.

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

The operating segment information is reported in accordance with IFRS as stated in the significant accounting policies in the previous fiscal year, and operating segment revenue and profit or loss are those before intersegment eliminations without consideration of consolidation adjustments, except for certain consolidated subsidiaries. In addition, from the first quarter of the current fiscal year, operating segment profit or loss has been changed from operating income in accordance with IFRS to Non-GAAP operating income excluding unusual items and other adjustment items prescribed by the Company. Non-GAAP operating income is believed to be useful for investors in understanding the Company’s underlying business results and its future outlook, and the adjustments items therein include amortization of intangible assets recognized at the time of acquiring subsidiaries, stock-based compensation expense, along with one-off items, which the Company believes shall be excluded. In association with these changes in measurement of segment profit and loss, operating segment profit or loss for the three months ended March 31, 2014 has been reclassified and restated, in line with the presentation for the three months ended March 31, 2015.

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

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	14,585	11,467	1,654	27,706

For the three months ended March 31, 2015 (January 1 to March 31, 2015)

(Millions of Yen)

	Internet Services	Internet Finance	Others	Total
Segment Revenue	96,122	65,460	9,643	171,225
Segment Profit (Loss)	19,028	15,913	(2,462)	32,479

Reconciliation from Segment Revenue to Consolidated Revenue

(Millions of Yen)

	Three months ended March 31, 2014 (January 1 to March 31, 2014)	Three months ended March 31, 2015 (January 1 to March 31, 2015)
Segment Revenue	149,025	171,225
Intercompany transactions, etc.	(10,762)	(12,406)
Consolidated Revenue	138,263	158,819

Reconciliation from Segment Profit to Income Before Income Tax

(Millions of Yen)

	Three months ended March 31, 2014 (January 1 to March 31, 2014)	Three months ended March 31, 2015 (January 1 to March 31, 2015)
Segment Profit	27,706	32,479
Intercompany transactions, etc.	(340)	(384)
Non-GAAP operating income	27,366	32,095
Amortization of intangible assets	(1,295)	(1,696)
Stock-based compensation	(455)	(1,359)
One-off items	(3,053)	—
IFRS operating income	22,563	29,040
Financial income and expenses	(451)	(830)
Share of income of associates and joint ventures	98	598
Income before income tax	22,210	28,808

One-off items in the three months ended March 31, 2014 comprise provision of allowance for doubtful accounts, impairment of goodwill and intangible assets, and reversal of allowance for doubtful accounts related to tax reform.

Breakdown of Operating Expenses

(Millions of Yen)

	Three months ended March 31, 2014 (January 1 to March 31, 2014)	Three months ended March 31, 2015 (January 1 to March 31, 2015)
Advertising and promotion expenditures	18,663	19,769
Employee benefits expenses	26,180	30,531
Depreciation and amortization	6,948	9,145
Communication and maintenance expenses	4,832	4,654
Consignment and subcontract expenses	7,468	8,114
Allowance for doubtful accounts charged to expenses	3,780	5,321
Cost of sales of merchandise	21,945	27,237
Interest expense for finance business	1,309	1,434
Commission expense for finance business	1,452	1,747
Insurance claims and other payments, and provision of policy reserves and others for insurance business	2,745	4,026
Others	16,053	19,463
Total	111,375	131,441

Notes on significant subsequent events

Acquisition of Shares of OverDrive Holdings, Inc. and Borrowing of Substantial Amount of Funds

At an ordinary board of directors meeting held on March 19, 2015, the Company resolved to acquire all issued shares of OverDrive Holdings, Inc. (Head office: United States) (hereinafter “OverDrive”), a full-service digital distributor of eBooks, audio books and other content to libraries and educational institutions, and concluded a share purchase and sale agreement. Subsequently, effective April 27, 2015, the Company completed 100% acquisition of OverDrive.

(1) Name and main business, main reasons for acquisition, acquisition date, legal structure of acquisition, and company name after acquisition of the acquired company

i) Name of the acquired company OverDrive Holdings, Inc.

ii) Main business A full-service digital distributor of eBooks, audio books and other content for libraries and educational institutions

iii) Main reasons for acquisition

The Company regards digital content services as one of the pillars of strategy for its growth in the future, following Internet Services and Internet Finance, and has been constantly expanding its eBook business since the acquisition of Kobo Inc. (currently Rakuten Kobo Inc.) in 2012. The acquisition of OverDrive will strengthen platforms, brands and innovative product development at both companies and is expected to accelerate their growth on a global scale through the well-established positioning of OverDrive, as well as both tangible and intangible assets that OverDrive have accumulated over the years along with Kobo’s proven innovative capacity, overseas spread, and solid and global relationships with publishers.

iv) Acquisition date April 27, 2015

v) Legal structure of acquisition Acquisition of shares

vi) Company name after acquisition The name will remain unchanged.

vii) Percentage of voting rights acquired 100.0%

viii) Reasons for the decision to acquire the acquiring company

Due to the acquisition of shares for cash consideration.

(2) Acquisition cost of the acquired company and its breakdown

(Millions of yen)

Consideration for acquisition:	
Cash	50,676
Total consideration for acquisition	50,676

*Consideration for the acquisition of shares in the acquiree may be subject to certain adjustments, part of which may be used as compensation. Part of the consideration was financed through loans from banks. Details are set out below.

Lenders:	Sumitomo Mitsui Banking Corporation, Mizuho Bank, Ltd., Development Bank of Japan Inc. and The Bank of Tokyo-Mitsubishi UFJ, Ltd. *Of the above financial institutions, Sumitomo Mitsui Banking Corporation and Mizuho Bank, Ltd. are scheduled to transfer part of their finance receivables to Sumitomo Mitsui Trust Bank, Ltd. on April 30, 2015.
Amount of loans:	¥54,000 million
Interest rate:	Basic interest rate + spread
Effective date of loans:	April 23, 2015
Date of repayment:	November 30, 2022
Repayment method:	Equal quarterly repayment of ¥2,700 million, commencing from February 28, 2018

(3) Amount of goodwill expected to be recognized and basis for recognition, as well as the value of assets and liabilities of OverDrive to be transferred to the Company as of the acquisition date

Yet to be determined