

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, 2016

Rakuten, Inc.
May 12, 2016

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
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, 2016 (January 1 – March 31, 2016)

(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, 2016	180,300	13.5	22,934	(21.0)	22,221	(22.9)	11,749	(17.8)
Three months ended March 31, 2015	158,819	14.9	29,040	28.7	28,808	29.7	14,290	(11.8)

	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, 2016	11,745	(17.3)	(17,345)	—	8.24	8.20
Three months ended March 31, 2015	14,195	(11.9)	4,110	(66.4)	10.73	10.66

(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, 2016	4,250,635	637,897	636,901	15.0
As of December 31, 2015	4,269,953	664,013	662,044	15.5

2. Dividend Distribution

	Annual dividend per share				
	Q1	Q2	Q3	Annual	Total
	Yen	Yen	Yen	Yen	Yen
FY2015	—	0.00	—	4.50	4.50
FY2016	—				
FY2016 (Forecast)		—	—	—	—

Note: Dividend per share for FY2016 is not yet decided, and there are no changes to this previously disclosed dividend forecast.

3. Estimate of Consolidated Operating Results for Fiscal 2016 (January 1 to December 31, 2016)

For the estimate of consolidated operating results for Fiscal 2016, double-digit growth from Fiscal 2015 is targeted for consolidated revenue excluding the securities business whose results are impacted by stock market.

	Revenue	Non-GAAP Operating Income
	Millions of Yen	Millions of Yen
FY2015 (Actual)	713,555	152,153

For details, see page P. 8 1. Qualitative Information, Financial Statements, etc. (3) Qualitative Information about Consolidated Business Forecasts.

There are no changes to this previously disclosed forecast.

Notes**(1) Changes in significant subsidiaries during the current period****(Changes in specified subsidiaries resulting in change in scope of consolidation):** 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: No
3. Changes in accounting estimates: No

(3) Number of shares issued (Common stock)

1. Total number of shares issued at the end of the period (including treasury stocks)
1,430,880,400 shares (As of March 31, 2016)
1,430,373,900 shares (As of December 31, 2015)
2. Number of treasury stocks at the end of the period
6,008,788 shares (As of March 31, 2016)
6,008,788 shares (As of December 31, 2015)
3. Average number of shares during the period (cumulative from the beginning of the year)
1,424,574,234 shares (January 1 – March 31, 2016)
1,322,984,017 shares (January 1 – March 31, 2015)

Indication regarding execution of review procedures

This quarterly financial report is not intended for 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, 2016 are based on information that is available at the time of writing, but a number of known and unknown factors could cause actual results to differ from the projections.

1. Qualitative Information, Financial Statements, etc.

(1) Qualitative Information Concerning Consolidated Business Results

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

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 Three Months ended March 31, 2016 (Non- GAAP basis)

The world economy during the three months ended March 31, 2016 (January 1 to March 31, 2016) continued to stay on a gradual recovery track, although attention must be paid to factors including normalization of U.S. monetary policy and the impact of the falling crude oil prices. Meanwhile, the Japanese economy, despite sluggishness in some areas, continued a gradual recovery, amid continuous improvement trends in the wage and employment condition.

Under such an environment, the Rakuten Group has further promoted growth action programs in line with its medium-term strategy “Vision 2020” announced in February 2016. In domestic e-commerce services, the mainstay of Internet Services, the Rakuten Group is making every effort towards further revenue growth by implementing various measures. These include programs with the aim of improving customer satisfaction, aggressive sales activities, and strategies to open up the Rakuten Ecosystem and enhanced services for smart devices (smartphones and tablet devices). Results are on track for improvement in overseas internet services, thanks in large part to a contribution from the steady growth in U.S. subsidiary Ebates Inc. (“Ebates”). In the FinTech segment, further expansion of the membership base for the Rakuten Card brought in more commission income while there was solid growth in Rakuten Bank services. These contributed to a solid increase in both revenue and profit, except for the securities services suffering from a slump in the stock market.

As a result, the Rakuten Group achieved revenue of ¥180,300 million, up 13.5% year-on-year, for the three months ended March 31, 2016. However, chiefly affected by increased expenses due to aggressive sales activities and the worsening stock market, Non-GAAP operating income fell by 16.8% year-on-year to ¥26,696 million.

(Non-GAAP)

(Millions of yen)

	Three months ended March 31, 2015	Three months ended March 31, 2016	Amount Change YoY	% Change YoY
Revenue	158,819	180,300	21,481	13.5%
Non-GAAP Operating Income	32,095	26,696	(5,399)	(16.8%)

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

For the three months ended March 31, 2016, amortization of intangible assets of ¥2,014 million, up 18.8% year-on-year, and stock based compensation expense of ¥1,748 million, up 28.6% year-on-year, were deducted for Non-GAAP operating income.

(Millions of yen)

	Three months ended March 31, 2015	Three months ended March 31, 2016	Amount Change YoY	% Change YoY
Non-GAAP operating income	32,095	26,696	(5,399)	(16.8%)
Amortization of intangible assets (PPA)	(1,696)	(2,014)	(318)	18.8%
Stock based compensation	(1,359)	(1,748)	(389)	28.6%
One-off items	-	-	-	-%
Operating Income	29,040	22,934	(6,106)	(21.0%)

iii) Business Results for the Three months ended March 31, 2016 (IFRS basis)

The Rakuten Group recorded revenue of ¥180,300 million, up 13.5% year-on-year, IFRS operating income of ¥22,934 million, down 21.0% year-on-year, and net income attributable to owners of the parent company of ¥11,745 million, down 17.3% year-on-year, for the three months ended March 31, 2016.

(IFRS)

(Millions of yen)

	Three months ended March 31, 2015	Three months ended March 31, 2016	Amount Change YoY	% Change YoY
Revenue	158,819	180,300	21,481	13.5%
Operating income	29,040	22,934	(6,106)	(21.0%)
Net income attributable to owners of the parent company	14,195	11,745	(2,450)	(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 presented on a Non-GAAP operating income basis.

Internet Services

In the Internet Services segment for the three months ended March 31, 2016, the Rakuten Group actively worked on various initiatives to pursue further revenue growth from its core domestic e-commerce services. To this end, it has specifically conducted aggressive sales activities with the aim of winning new users and developing the long-term loyal-customer base, some initiatives targeting greater customer satisfaction, strategies to open up the Rakuten Ecosystem and services for smart devices (smartphones and tablet devices). In travel reservation services, strong demand was seen in domestic travels, car rental and inbound services (i.e. services for reservations directed from foreign language websites). As a result, while aggressive sales activities entailed higher expenses, domestic e-commerce services revenue was robust with an 8.3% year-on-year increase. In overseas e-commerce services, Ebates contributed significantly to the growth of performance. For contents services, contribution by OverDrive Holdings Inc. ("OverDrive"), which became a subsidiary in April 2015, led to improvement in performance of the electronic book business.

As a result, revenue for the segment rose to ¥111,760 million, a 16.3% year-on-year increase, while segment profit stood at ¥15,221 million, a 20.0% year-on-year decrease.

(Millions of yen)

	Three months ended March 31, 2015	Three months ended March 31, 2016	Amount Change YoY	% Change YoY
Segment Revenue	96,122	111,760	15,638	16.3%
Segment Profit	19,028	15,221	(3,807)	(20.0%)

FinTech

In the FinTech segment for the three months ended March 31, 2016, shopping transaction value grew by 21.4% year-on-year in credit card 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. 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. In the securities services, the negative impact of volatile market conditions markedly weighed down its revenue and profits from their levels in the previous fiscal year.

As a result, the FinTech segment recorded ¥71,544 million in revenue, a 9.3% year-on-year increase, while segment profit stood at ¥15,669 million, a 1.5% decrease year-on-year.

(Millions of yen)

	Three months ended March 31, 2015	Three months ended March 31, 2016	Amount Change YoY	% Change YoY
Segment Revenue	65,460	71,544	6,084	9.3%
Segment Profit	15,913	15,669	(244)	(1.5%)

Others

As for other segments for the three months ended March 31, 2016, thanks to its full-scale aggressive sales activities commenced in the second quarter of the previous fiscal year, Rakuten Mobile, which provides MVNO (Mobile Virtual Network Operator) services, substantially increased revenue. At VIBER MEDIA LTD. (“Viber”), a messaging and VoIP services provider, strategic investments for its future growth continued and consistent growth was seen in the number of user IDs. In professional sports division, as it hosted the 2016 season-opening games for the Tohoku Rakuten Golden Eagles and Vissel Kobe at their home stadiums, together with other factors, revenue increased at a solid pace compared with the same period of the previous fiscal year.

As a result, revenue for the segment was ¥13,812 million, a 43.2% year-on-year increase, while segment loss was ¥3,384 million (compared with segment loss of ¥2,462 million for the same period of the previous fiscal year).

(Millions of yen)

	Three months ended March 31, 2015	Three months ended March 31, 2016	Amount Change YoY	% Change YoY
Segment Revenue	9,643	13,812	4,169	43.2%
Segment Profit (Loss)	(2,462)	(3,384)	(922)	-%

(2) Analysis Concerning Financial Position

i) Assets, Liabilities, and Net Assets

Assets

Total assets at March 31, 2016 amounted to ¥4,250,635 million, a decrease of ¥19,318 million from ¥4,269,953 million at the end of the previous fiscal year. Primary factors were a ¥137,172 million increase in cash and cash equivalents, which was offset by a ¥ 64,292 million decrease in financial assets for securities business, a ¥55,491 million decrease in investment securities for banking business, and a ¥44,508 million decrease in other financial assets.

Liabilities

Total liabilities at March 31, 2016 amounted to ¥3,612,738 million, an increase of ¥6,798 million from ¥3,605,940 million at the end of the previous fiscal year. The primary factors were decreases of ¥36,286 million in other financial liabilities, ¥35,510 million in financial liabilities for securities business, ¥34,853 million in accounts payable – trade and ¥8,945 million in Income taxes payable, which were offset by increases of ¥70,854 million in deposits for banking business and ¥49,228 million in bonds and borrowings.

Equity

Equity at March 31, 2016 was ¥637,897 million, a decrease of ¥26,116 million from ¥664,013 million at the end of the previous fiscal year. Primary factors were the recognition of a ¥11,745 million of net income attributable to owners of the parent company, which was offset by a ¥32,584 million decrease in other components of equity resulting from fluctuations in the foreign exchange rates.

ii) Cash Flows

Cash and cash equivalents at March 31, 2016 was ¥638,201 million, an increase of ¥137,172 million from the end of the previous fiscal year. Among these, deposit with the Bank of Japan for banking business was ¥461,631 million, an increase of ¥113,557 million from the end of the previous fiscal year. Cash flow conditions and their major factors for the three months ended March 31, 2016 are as follows.

Net cash flows from operating activities

Net cash flows from operating activities for the three months ended March 31, 2016 resulted in a cash inflow of ¥66,455 million (compared with a cash inflow of ¥7,616 million for the same period of previous fiscal year). Primary factors included cash outflows of ¥31,159 million for a decrease in operating payables, which was offset by cash inflows of ¥70,853 million for an increase in deposits for banking business and net proceeds of ¥28,783 from fluctuations of financial assets and liabilities for securities business (a cash outflow of ¥35,510 million for decrease in financial liabilities and a cash inflow of ¥64,293 million for decrease in financial assets).

Net cash flows from investing activities

Net cash flows from investing activities for the three months ended March 31, 2016 resulted in a cash inflow of ¥33,222 million (compared with a cash outflow of ¥34,987 million for the same period of previous fiscal year). Primary factors included cash outflows of ¥14,648 million for acquisition of subsidiaries and cash outflows of ¥9,647 million for purchase of intangible assets including softwares, which were offset by net proceeds of ¥54,401 million for purchase and sales of investment securities for banking business (a cash inflow of ¥129,668 million from sales and redemption of investment securities and a cash outflow of ¥75,267 million for purchase of investment securities).

Net cash flows from financing activities

Net cash flows from financing activities for the three months ended March 31, 2016 resulted in a cash inflow of ¥39,830 million (compared with a cash inflow of ¥46,506 million for the same period of previous fiscal year). Primary factors included cash outflows of ¥25,068 million for repayment of long-term debt, which was offset by cash inflows of ¥68,000 million from long-term debt.

(3) Qualitative Information about Consolidated Business Forecasts

For the forecast of consolidated operating results for Fiscal 2016, the Rakuten Group aims at double-digit growth from the previous fiscal year for consolidated revenue, excluding that from the securities business whose results are impacted by the stock market.

	Revenue	Non-GAAP Operating Income
	Millions of Yen	Millions of Yen
FY2015 (Actual)	713,555	152,153

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

Internet Services

In line with the global expansion of the e-commerce market, the Group's domestic e-commerce services will keep making upfront investments for improving customer satisfaction so as to accelerate growth of medium-term gross transaction value as well as revenue.

In the overseas e-commerce services and content area, revenue is expected to increase thanks to factors including further growth of Ebates and OverDrive Holdings, and we will aim for an improvement in operating income and loss related to such items.

FinTech

In credit card and related services, we will strengthen the marketing initiatives aimed at expansion of market share and promotion of group synergy, and strive to achieve further growth of shopping transaction value. In banking services, solid profit is expected in line with 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 MVNO service "Rakuten Mobile," messaging and VoIP service "Viber," etc. As a result, increase in revenue is expected.

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)

Significant accounting policies adopted by the Rakuten Group in this summary of consolidated financial statements for the three months ended March 31, 2016 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, 2016 is calculated based upon estimated annual effective tax rate.

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

	(Millions of Yen)	
	As of December 31, 2015	As of March 31, 2016
Assets		
Cash and cash equivalents	501,029	638,201
Accounts receivable - trade	104,011	89,861
Financial assets for securities business	1,109,299	1,045,007
Loans for credit card business	833,820	839,271
Investment securities for banking business	257,769	202,278
Loans for banking business	444,044	474,270
Investment securities for insurance business	15,308	15,211
Derivative assets	21,312	23,781
Investment securities	151,237	136,418
Other financial assets	161,640	117,132
Investments in associates and joint ventures	16,912	27,287
Property, plant and equipment	48,442	51,055
Intangible assets	514,752	496,343
Deferred tax assets	28,252	26,787
Other assets	62,126	67,733
Total assets	4,269,953	4,250,635

(Millions of Yen)

	As of December 31, 2015	As of March 31, 2016
Liabilities		
Accounts payable - trade	162,606	127,753
Deposits for banking business	1,366,784	1,437,638
Financial liabilities for securities business	987,244	951,734
Derivative liabilities	10,623	7,882
Bonds and borrowings	649,195	698,423
Other financial liabilities	268,448	232,162
Income taxes payable	24,718	15,773
Provisions	54,129	55,689
Policy reserves and others for insurance business	21,635	22,287
Deferred tax liabilities	20,417	19,916
Other liabilities	40,141	43,481
Total liabilities	3,605,940	3,612,738
Equity		
Equity attributable to owners of the parent company		
Common stock	203,588	203,833
Capital surplus	208,677	207,905
Retained earnings	176,834	184,802
Treasury stock	(3,627)	(3,627)
Other components of equity	76,572	43,988
Total equity attributable to owners of the parent company	662,044	636,901
Non-controlling interests	1,969	996
Total equity	664,013	637,897
Total liabilities and equity	4,269,953	4,250,635

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

Consolidated Statement of Income (Summary)

(For the three months ended March 31, 2015 and 2016)

(Millions of yen)

	Three months ended March 31, 2015 (January 1 to March 31, 2015)	Three months ended March 31, 2016 (January 1 to March 31, 2016)
Continuing Operations		
Revenue	158,819	180,300
Operating expenses	131,441	158,065
Other income	2,163	1,705
Other expenses	501	1,006
Operating income	29,040	22,934
Financial income	23	38
Financial expenses	853	950
Share of income of associates and joint ventures	598	199
Income before income tax	28,808	22,221
Income tax expense	14,518	10,472
Net income	14,290	11,749
Net income attributable to:		
Owners of the parent company	14,195	11,745
Non-controlling interests	95	4
Net income	14,290	11,749
(Yen)		
Earnings per share attributable to owners of the parent company		
Basic	10.73	8.24
Diluted	10.66	8.20

Consolidated Statement of Comprehensive Income (Summary)
(For the three months ended March 31, 2015 and 2016)

(Millions of yen)

	Three months ended March 31, 2015 (January 1 to March 31, 2015)	Three months ended March 31, 2016 (January 1 to March 31, 2016)
Net income	14,290	11,749
Other comprehensive income		
Items that will not be reclassified to net income		
Gains (losses) on financial assets measured at fair value through other comprehensive income	(39)	1,136
Income tax effect of gains and losses on financial assets measured at fair value through other comprehensive income	159	(964)
Share of other comprehensive income of associates and joint ventures	11	(1)
Total items that will not be reclassified to net income	131	171
Items that will be reclassified to net income		
Foreign currency translation adjustments	(10,284)	(28,955)
Gains (losses) on cash flow hedges recognized in other comprehensive income	(90)	(422)
Income tax effect of gains or losses on cash flow hedges recognized in other comprehensive income	4	117
Gains (losses) on cash flow hedges reclassified from other comprehensive income to net income	91	94
Income tax effect of gains or losses on cash flow hedges reclassified from other comprehensive income to net income	(32)	(29)
Share of other comprehensive income of associates and joint ventures	—	(70)
Total items that will be reclassified to net income	(10,311)	(29,265)
Other comprehensive income, net of tax	(10,180)	(29,094)
Comprehensive income	4,110	(17,345)
Comprehensive income attributable to:		
Owners of the parent company	4,015	(17,351)
Non-controlling interests	95	6
Comprehensive income	4,110	(17,345)

(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, 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
Adjusted 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
As of January 1, 2016	203,588	208,677	176,834	(3,627)	40,477	36,581	(486)	76,572	662,044	1,969	664,013
Comprehensive income											
Net income			11,745						11,745	4	11,749
Other comprehensive income net of tax					(29,026)	169	(239)	(29,096)	(29,096)	2	(29,094)
Total comprehensive income	—	—	11,745	—	(29,026)	169	(239)	(29,096)	(17,351)	6	(17,345)
Transactions with owners											
Contributions by and distributions to owners											
Issuance of common stock	245	245							490		490
Cash dividends paid			(6,410)						(6,410)		(6,410)
Reclassification from other components of equity to retained earnings			3,488			(3,488)		(3,488)	—		—
Others		1,282	(855)						427		427
Total contributions by and distributions to owners	245	1,527	(3,777)	—	—	(3,488)	—	(3,488)	(5,493)	—	(5,493)
Changes in ownership interests in subsidiaries											
Issuance of common stock										1	1
Acquisitions and disposals of non-controlling interests			(2,303)						(2,303)	(837)	(3,140)
Others			4						4	(143)	(139)
Total changes in ownership interests in subsidiaries	—	(2,299)	—	—	—	—	—	—	(2,299)	(979)	(3,278)
Total transactions with owners	245	(772)	(3,777)	—	—	(3,488)	—	(3,488)	(7,792)	(979)	(8,771)
As of March 31, 2016	203,833	207,905	184,802	(3,627)	11,451	33,262	(725)	43,988	636,901	996	637,897

(4) Consolidated Statement of Cash Flows (Summary)

(Millions of Yen)

	Three months ended March 31, 2015 (January 1 to March 31, 2015)	Three months ended March 31, 2016 (January 1 to March 31, 2016)
Cash flows from operating activities		
Income before income tax	28,808	22,221
Depreciation and amortization	9,145	10,731
Other loss (income)	(17)	2,166
Decrease in operating receivables	9,563	9,672
Decrease (Increase) in loans for credit card business	2,971	(5,451)
Increase in deposits for banking business	49,539	70,853
Decrease in call loans for banking business	5,000	23,000
Increase in loans for banking business	(32,704)	(30,226)
Decrease in operating payables	(23,305)	(31,159)
Decrease (increase) in financial assets for securities business	(72,897)	64,293
Increase (decrease) in financial liabilities for securities business	86,368	(35,510)
Others	(29,734)	(15,128)
Income tax paid	(25,121)	(19,007)
Net cash flows from operating activities	7,616	66,455
Cash flows from investing activities		
Decrease in restricted deposits	2	13,016
Increase in time deposits	(1,963)	(2,044)
Decrease in time deposits	1,345	1,555
Purchase of property, plant and equipment	(2,780)	(2,668)
Purchase of intangible assets	(8,602)	(9,647)
Acquisition of subsidiaries	(2,641)	(14,648)
Purchase of investment securities for banking business	(59,990)	(75,267)
Proceeds from sales and redemption of investment securities for banking business	83,550	129,668
Purchase of investment securities for insurance business	(599)	(2,936)
Proceeds from sales and redemption of investment securities for insurance business	57	3,209
Purchase of investment securities	(46,300)	(5,997)
Proceeds from sales and redemption of investment securities	3,302	4,980
Other payments	(2,800)	(6,750)
Other proceeds	2,432	751
Net cash flows used in investing activities	(34,987)	33,222
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	17,912	4,234
Increase (decrease) in commercial papers	25,500	2,000
Proceeds from long-term debt	25,200	68,000
Repayment of long-term debt	(16,467)	(25,068)
Cash dividends paid	(5,856)	(6,349)
Others	217	(2,987)
Net cash flows from financing activities	46,506	39,830

(Millions of Yen)

	Three months ended March 31, 2015 (January 1 to March 31, 2015)	Three months ended March 31, 2016 (January 1 to March 31, 2016)
Effect of change in exchange rates on cash and cash equivalents	(2,542)	(2,335)
Net increase in cash and cash equivalents	16,593	137,172
Cash and cash equivalents at the beginning of the year	428,635	501,029
Cash and cash equivalents at the end of the period	445,228	638,201

(5) Assumptions for going concern

No items to report

(6) Notes to the summary of consolidated financial statements for the three months ended March 31, 2016**Basis of preparation**

The Rakuten Group's summary of consolidated financial statements for the three months ended March 31, 2016 meets the requirements set out under Article 1-2 of the Rules on Terminology, Formats and Compilation Methods of Quarterly Consolidated Financial Statements (Cabinet Office Ordinance No. 64 of 2007; hereinafter referred to as the "Rules on Quarterly Consolidated Financial Statements") under which the Rakuten Group is qualified as a "specified company" 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, 2015.

Significant accounting policies

Significant accounting policies adopted by the Rakuten Group in this summary of consolidated financial statements for the three months ended March 31, 2016 basically remain the same as those adopted in the consolidated financial statements for the previous fiscal year. In addition, income tax expenses for the three months ended March 31, 2016 is calculated based upon estimated annual effective tax rate.

Significant accounting estimates and judgments

Preparation of the summary of consolidated financial statements under IFRS for the three months ended March 31, 2016 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. The result of accounting estimation by its nature could be different from the actual outcome.

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

Estimates and judgments that have significant impact on the amounts in this summary of consolidated financial statements for the three months ended March 31, 2016 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 FinTech, the Group Companies are organized into three reportable segments: “Internet Services,” “FinTech” 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 “FinTech” 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 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. The internal measure the management relies upon in making decisions has been Non-GAAP operating income—operating income in accordance with IFRS adjusted for unusual items and other adjustment items prescribed by the Rakuten Group.

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

Three months ended March 31, 2015 (January 1 to March 31, 2015)

(Millions of Yen)

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

Three months ended March 31, 2016 (January 1 to March 31, 2016)

(Millions of Yen)

	Internet Services	FinTech	Others	Total
Segment Revenue	111,760	71,544	13,812	197,116
Segment Profit (Loss)	15,221	15,669	(3,384)	27,506

Reconciliation from Segment Revenue to Consolidated Revenue

(Millions of Yen)

	Three months ended March 31, 2015 (January 1 to March 31, 2015)	Three months ended March 31, 2016 (January 1 to March 31, 2016)
Segment Revenue	171,225	197,116
Intercompany transactions, etc.	(12,406)	(16,816)
Consolidated Revenue	158,819	180,300

Reconciliation from Segment Profit to Income Before Income Tax

(Millions of Yen)

	Three months ended March 31, 2015 (January 1 to March 31, 2015)	Three months ended March 31, 2016 (January 1 to March 31, 2016)
Segment Profit	32,479	27,506
Intercompany transactions, etc.	(384)	(810)
Non-GAAP Operating Income	32,095	26,696
Amortization of Intangible Assets (PPA)	(1,696)	(2,014)
Stock Based Compensation	(1,359)	(1,748)
Operating income	29,040	22,934
Financial income and expenses	(830)	(912)
Share of income of associates and joint ventures	598	199
Income before income tax	28,808	22,221

Breakdown of Operating Expenses

(Millions of Yen)

	Three months ended March 31, 2015 (January 1 to March 31, 2015)	Three months ended March 31, 2016 (January 1 to March 31, 2016)
Advertising and promotion expenditures	19,769	26,382
Employee benefits expenses	30,531	36,400
Depreciation and amortization	9,145	10,731
Communication and maintenance expenses	4,654	5,090
Consignment and subcontract expenses	8,114	9,256
Allowance for doubtful accounts charged to expenses	5,321	6,587
Cost of sales of merchandise and service revenue	27,237	34,007
Interest expense for finance business	1,434	1,553
Commission expense for finance business	1,747	2,077
Insurance claims and other payments, and provision of policy reserves and others for insurance business	4,026	4,333
Others	19,463	21,649
Total	131,441	158,065

Notes on significant subsequent events

No items to report