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, 2017

Rakuten, Inc.
May 11, 2017

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, 2017 (January 1 – March 31, 2017)

(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, 2017	212,077	17.6	40,416	73.2	38,214	68.9	25,030	107.0
Three months ended March 31, 2016	180,300	13.5	23,339	–	22,626	–	12,090	–

	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, 2017	25,060	107.3	3,080	–	17.63	17.53
Three months ended March 31, 2016	12,086	–	(20,976)	–	8.48	8.44

Note: Year on year changes for the first quarter of the fiscal year ending December 2016 (excluding revenue) are not stated due to retroactive adjustment following a change in accounting policy.

(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, 2017	4,706,052	657,211	657,128	14.0
As of December 31, 2016	4,604,672	682,490	682,391	14.8

2. Dividend Distribution

	Annual dividend per share				
	Q1	Q2	Q3	Q4	Total
	Yen	Yen	Yen	Yen	Yen
FY2016	—	0.00	—	4.50	4.50
FY2017	—				
FY2017 (Forecast)		—	—	—	—

Note: Dividend per share for FY2017 is not yet decided, and there are no changes to this previously disclosed dividend forecast.

3. Estimate of Consolidated Operating Results for Fiscal 2017 (January 1 to December 31, 2017)

For the estimate of consolidated operating results for Fiscal 2017, double-digit growth from Fiscal 2016 is targeted for consolidated revenue excluding the securities business whose results are heavily impacted by stock market conditions.

For details, see page P. 7 1.Qualitative Information, Financial Statements, etc. (3) Qualitative Information about Consolidated Business Forecasts.

There are no changes to this previously disclosed forecast.

Notes

(1) Changes in significant subsidiaries during the current period

(Changes in specified subsidiaries resulting in change in scope of consolidation): 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

(3) Number of shares issued (Common stock)

1. Total number of shares issued at the end of the period (including treasury stocks)
   1,432,663,500 shares (As of March 31, 2017)
   1,432,422,600 shares (As of December 31, 2016)
2. Number of treasury stocks at the end of the period
   27,461,988 shares (As of March 31, 2017)
   6,008,888 shares (As of December 31, 2016)
3. Average number of shares during the period (cumulative from the beginning of the year)
   1,421,120,290 shares (January 1 – March 31, 2017)
   1,424,574,234 shares (January 1 – March 31, 2016)

Note: For details, see page 13, 2. Consolidated Financial Statements (Summary) and Major Notes (6) Notes to the summary of consolidated financial statements for the three months ended March 31, 2017 Significant accounting policies

Indication regarding execution of review procedures

The quarterly financial statements are not subject to quarterly reviews 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, 2017 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 which the management relies upon in making decisions (hereinafter the "Non-GAAP financial measures") and those under IFRS.

Non-GAAP operating income is operating income under IFRS (hereinafter "IFRS operating income") after deducting unusual items and other adjustments 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, and are 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, 2017 (Non-GAAP basis)

The world economy during the three months ended March 31, 2017 (January 1 to March 31, 2017) continued to stay on a gradual recovery track, although attention must be paid to factors including the normalization of U.S. monetary policy and uncertainty regarding the policies of various countries. The Japanese economy also saw an ongoing gradual recovery trend amid continuing improvement in the wage and employment environment, despite signs of weakness in some areas.

Under such an environment, the Rakuten Group has implemented strategic actions 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 growth in gross merchandise sales and revenue by implementing various measures. These include programs with the aim of improving customer satisfaction, aggressive sales activities and strategies to enhance services for smart devices (smartphones and tablet devices) and to open up the Rakuten Ecosystem. Results are on track for improvement in overseas Internet services, due to contributions from the steady growth in U.S. subsidiary Ebates Inc. ("Ebates") and other factors. The Rakuten Group is also making investments in companies that have new technologies or innovative business models, and has recorded unrealized gains on stocks related to these investments. In the FinTech segment, further expansion of the membership base for Rakuten Card brought in more commission income, while there was also solid growth in banking services. These contributed to a solid increase in both revenue and profit, even as the securities services suffered from a slump owing to impact of the stock market.

As a result, the Rakuten Group achieved revenue of ¥212,077 million, up 17.6% year-on-year, for the three months ended March 31, 2017, and Non-GAAP operating income increased by 61.8% year-on-year to ¥43,851 million.

(Non-GAAP)

(Millions of yen)

	Three months ended March 31, 2016	Three months ended March 31, 2017	Amount Change YoY	% Change YoY
Revenue	180,300	212,077	31,777	17.6%
Non-GAAP Operating Income	27,101	43,851	16,750	61.8%

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

For the three months ended March 31, 2017, amortization of intangible assets of ¥1,558 million and stock-based compensation expense of ¥1,877 million were excluded from Non-GAAP operating income.

(Millions of yen)

	Three months ended March 31, 2016	Three months ended March 31, 2017	Amount Change YoY
Non-GAAP operating income	27,101	43,851	16,750
Amortization of intangible assets (PPA)	(2,014)	(1,558)	456
Stock based compensation	(1,748)	(1,877)	(129)
One-off items	-	-	-
Operating Income	23,339	40,416	17,077

iii) Business Results for the Three Months ended March 31, 2017 (IFRS basis)

The Rakuten Group recorded revenue of ¥212,077 million, up 17.6% year-on-year, IFRS operating income of ¥40,416 million, up 73.2% year-on-year, and net income attributable to owners of the parent company of ¥25,060 million, up 107.3% year-on-year, for the three months ended March 31, 2017.

(IFRS)

(Millions of yen)

	Three months ended March 31, 2016	Three months ended March 31, 2017	Amount Change YoY	% Change YoY
Revenue	180,300	212,077	31,777	17.6%
Operating income	23,339	40,416	17,077	73.2%
Net income attributable to owners of the parent company	12,086	25,060	12,974	107.3%

iv) Segment Information

Business results for each segment are as follows. In terms of the IFRS management approach, segment profit or loss is presented on a Non-GAAP operating income basis.

Internet Services

In the Internet Services segment for the three months ended March 31, 2017, the Rakuten Group actively worked on various initiatives. In the mainstay domestic e-commerce services, with the aim of further revenue growth, it has cultivated loyal customers and conducted sales activities in order to win new users, as well as initiatives targeting greater customer satisfaction, strengthening services for smart devices and opening up the Rakuten Ecosystem. As a result, although expenses associated with sales activities increased, revenue in the domestic e-commerce services increased significantly, partly due to the contribution of Soukai Drug Co., Ltd. acquired in the previous year. Results are on track for improvement in overseas e-commerce services, partly thanks to steady growth of Ebates. Rakuten Mobile, which provides MVNO (Mobile Virtual Network Operator) services, and Viber, which provides messaging and VoIP services, substantially increased revenue thanks to their full-scale aggressive sales activities. The Rakuten Group is also making investments in companies that have new technologies or innovative business models, and has recorded unrealized gains on stocks related to these investments.

As a result, revenue for the Internet Service segment rose to ¥149,086 million, an 18.7% year-on-year increase, and segment profit stood at ¥26,548 million, a 124.3% year-on-year increase.

(Millions of yen)

	Three months ended March 31, 2016	Three months ended March 31, 2017	Amount Change YoY	% Change YoY
Segment Revenue	125,572	149,086	23,514	18.7%
Segment Profit	11,837	26,548	14,711	124.3%

FinTech

In the FinTech segment for the three months ended March 31, 2017, shopping transaction value and revolving balances in credit card related services increased due to growth in Rakuten Card membership, resulting in a steady rise in revenue and profit. In banking services, revenue and profit continued to grow despite the backdrop of a negative interest rate policy due to an increase in interest income from loans, with expanding loan balances and improvements in cost efficiency. In securities services, the negative impact of volatile market conditions markedly weighed down its revenue and profit from their levels in the corresponding period of the previous year.

As a result, the FinTech segment recorded ¥77,960 million in revenue, a 9.0% year-on-year increase, while segment profit stood at ¥17,032 million, an 8.7% year-on-year increase.

(Millions of yen)

	Three months ended March 31, 2016	Three months ended March 31, 2017	Amount Change YoY	% Change YoY
Segment Revenue	71,544	77,960	6,416	9.0%
Segment Profit	15,669	17,032	1,363	8.7%

(2) Analysis Concerning Financial Position

i) Assets, Liabilities, and Net Assets

Assets

Total assets at March 31, 2017 amounted to ¥4,706,052 million, an increase of ¥101,380 million from ¥4,604,672 million at the end of the previous fiscal year. The primary factors were a decrease of ¥32,837 million in cash and cash equivalents, which was offset by an increase of ¥53,312 million in loans for banking business, an increase of ¥32,809 million in other financial assets, an increase of ¥28,596 million in financial assets for securities business, and an increase of ¥19,783 million in property, plant and equipment.

Liabilities

Total liabilities at March 31, 2017 amounted to ¥4,048,841 million, an increase of ¥126,659 million from ¥3,922,182 million at the end of the previous fiscal year. The primary factors were decreases of ¥35,493 million in accounts payable – trade, and ¥12,366 million in other financial liabilities, which were offset by increases of ¥127,807 million in bonds and borrowings and ¥45,605 million in deposits for banking business.

Equity

Equity at March 31, 2017 was ¥657,211 million, a decrease of ¥25,279 million from ¥682,490 million at the end of the previous fiscal year. The primary factors were a recognition of ¥25,060 million of net income attributable to owners of the parent company for the three months ended March 31, 2017, which was offset by decreases of ¥23,602 million due to acquisition of treasury stock, and ¥21,983 million in other components of equity resulting from fluctuations in the foreign exchange rates.

ii) Cash Flows

Cash and cash equivalents at March 31, 2017 was ¥515,432 million, a decrease of ¥32,837 million from the end of the previous fiscal year. Among these, deposits with the Bank of Japan for banking business were ¥332,096 million, a decrease of ¥44,783 million from the end of the previous fiscal year. Cash flow conditions and their major factors for the three months ended March 31, 2017 are as follows.

Net cash flows from operating activities

Net cash flows from operating activities for the three months ended March 31, 2017 resulted in a cash outflow of ¥61,953 million (compared with a cash inflow of ¥66,455 million for the same period of the previous fiscal year). Primary factors included a cash inflow of ¥45,605 million from an increase in deposits for banking business, which were offset by a cash outflow of ¥53,312 million due to an increase in loans for banking business, a cash outflow of ¥34,798 million due to a decrease in operating payables, and cash outflows of ¥29,450 million from fluctuations of financial assets and liabilities for securities business (a cash outflow of ¥28,971 million for an increase in financial assets and a cash outflow of ¥479 million for decrease in financial liabilities.).

Net cash flows from investing activities

Net cash flows from investing activities for the three months ended March 31, 2017 resulted in a cash outflow of ¥66,394 million (compared with a cash inflow of ¥33,222 million for the same period of the previous fiscal year). Primary factors included cash outflow of ¥22,379 million due to purchase of property, plant and equipment including land and buildings, cash outflow of ¥12,020 million due to purchase of intangible assets including software, net cash outflows of ¥9,229 million for purchase and sale, etc. of investment securities for banking business (a cash inflow of ¥69,777 million from sales and redemption of investment securities and a cash outflow of ¥79,006 million for purchase of investment securities), and a cash outflow of ¥4,393 million for acquisition of subsidiaries.

Net cash flows from financing activities

Net cash flows from financing activities for the three months ended March 31, 2017 resulted in a cash inflow of ¥97,042 million (compared with a cash inflow of ¥39,830 million for the same period of the previous fiscal year). Primary factors included a cash outflow of ¥60,459 million for repayment of long-term debt, which was offset by a cash inflow of ¥81,198 million from an increase in short-term borrowings and a cash inflow of ¥79,011 million from long-term debt.

(3) Qualitative Information about Consolidated Business Forecasts

For the forecast of consolidated operating results for Fiscal 2017, the Rakuten Group aims at double-digit growth from the previous fiscal year for consolidated revenue, excluding results from the securities business which are impacted by the stock market.

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

Internet Services

The Group's domestic e-commerce services will aim for further growth in gross transaction value and revenue through development of a long-term loyal customer base and implementation of aggressive sales activities in order to win new users, and by continuously pursuing initiatives targeting greater customer satisfaction, in addition to the global expansion of the e-commerce market. Overseas Internet services will aim for growth in revenue driven by a further increase in gross transaction value.

We will also strive to boost revenue from MVNO service "Rakuten Mobile" by continuously implementing initiatives to increase its number of users.

FinTech

In credit card related services, we will continue striving to achieve further growth of shopping transaction value by strengthening marketing initiatives aimed at expansion of market share and promotion of group synergy. However, expenses associated with updating the core system are expected to be incurred. In banking services, a solid expansion of operations is expected. Meanwhile, it is difficult to make a forecast for securities services due to the substantial impact of stock market conditions.

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

(Millions of yen)

	As of December 31, 2016	As of March 31, 2017
Assets		
Cash and cash equivalents	548,269	515,432
Accounts receivable – trade	117,088	99,620
Financial assets for securities business	1,120,684	1,149,280
Loans for credit card business	1,014,708	1,010,581
Investment securities for banking business	157,315	168,103
Loans for banking business	585,800	639,112
Investment securities for insurance business	18,071	20,088
Derivative assets	21,813	20,943
Investment securities	173,076	180,892
Other financial assets	137,678	170,487
Investments in associates and joint ventures	41,130	40,977
Property, plant and equipment	53,271	73,054
Intangible assets	506,087	501,757
Deferred tax assets	25,681	25,455
Other assets	84,001	90,271
Total assets	4,604,672	4,706,052
Liabilities		
Accounts payable – trade	181,279	145,786
Deposits for banking business	1,505,946	1,551,551
Financial liabilities for securities business	1,059,639	1,058,809
Derivative liabilities	6,598	6,330
Bonds and borrowings	711,104	838,911
Other financial liabilities	297,489	285,123
Income taxes payable	12,674	11,662
Provisions	65,235	64,992
Insurance business policy reserve	21,474	20,573
Deferred tax liabilities	18,272	18,140
Other liabilities	42,472	46,964
Total liabilities	3,922,182	4,048,841
Equity		
Equity attributable to owners of the parent company		
Common stock	204,562	204,670
Capital surplus	211,785	213,438
Retained earnings	216,866	235,427
Treasury stock	(3,627)	(27,229)
Other components of equity	52,805	30,822
Total equity attributable to owners of the parent company	682,391	657,128
Non-controlling interests	99	83
Total equity	682,490	657,211
Total liabilities and equity	4,604,672	4,706,052

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

Consolidated Statement of Income (Summary)
(For the three months ended March 31, 2016 and 2017)

(Millions of yen)

	Three months ended March 31, 2016 (January 1 to March 31, 2016)	Three months ended March 31, 2017 (January 1 to March 31, 2017)
Continuing Operations		
Revenue	180,300	212,077
Operating expenses	157,660	187,613
Other income	1,705	17,188
Other expenses	1,006	1,236
Operating income	23,339	40,416
Financial income	38	56
Financial expenses	950	757
Share of income (loss) of associates and joint ventures	199	(1,501)
Income before income tax	22,626	38,214
Income tax expense	10,536	13,184
Net income	12,090	25,030
Net income attributable to:		
Owners of the parent company	12,086	25,060
Non-controlling interests	4	(30)
Net income	12,090	25,030

(Yen)

Earnings per share attributable to owners of the parent company		
Basic	8.48	17.63
Diluted	8.44	17.53

Consolidated Statement of Comprehensive Income
(For the three months ended March, 2016 and 2017)

(Millions of yen)

	Three months ended March 31, 2016 (January 1 to March 31, 2016)	Three months ended March 31, 2017 (January 1 to March 31, 2017)
Net income	12,090	25,030
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	1,136	(2,385)
Income tax effect of gains and losses on financial assets measured at fair value through other comprehensive income	(964)	456
Remeasurement of insurance business policy reserves based on current market interest rates	(5,514)	1,353
Income tax effect of remeasurement of insurance business policy reserves based on current market interest rates	1,542	(382)
Share of other comprehensive income of associates and joint ventures	(1)	3
Total items that will not be reclassified to net income	(3,801)	(955)
Items that will be reclassified to net income		
Foreign currency translation adjustments	(28,955)	(20,494)
Gains (losses) on cash flow hedges recognized in other comprehensive income	(422)	(374)
Income tax effect of gains or losses on cash flow hedges recognized in other comprehensive income	117	70
Gains (losses) on cash flow hedges reclassified from other comprehensive income to net income	94	93
Income tax effect of gains or losses on cash flow hedges reclassified from other comprehensive income to net income	(29)	(32)
Share of other comprehensive income of associates and joint ventures	(70)	(258)
Total items that will be reclassified to net income	(29,265)	(20,995)
Other comprehensive income, net of tax	(33,066)	(21,950)
Comprehensive income	(20,976)	3,080
Comprehensive income attributable to:		
Owners of the parent company	(20,982)	3,109
Non-controlling interests	6	(29)
Comprehensive income	(20,976)	3,080

(3) Consolidated Statement of Changes in Equity

(Millions of yen)

	Common stock	Capital surplus	Retained earnings	Treasury stock	Other components of equity: Foreign currency translation adjustments	Other components of equity: Financial instruments measured at fair value through other comprehensive income	Other components of equity: Cash flow hedges	Other components of equity: Remeasurement of insurance business policy reserves based on current market interest rates	Other components of equity: Total other components of equity	Total equity attributable to owners of the parent company	Non-controlling interests	Total equity
As of January 1, 2016	203,588	208,677	182,711	(3,627)	40,477	36,581	(486)	(1,810)	74,762	666,111	1,969	668,080
Comprehensive income												
Net income			12,086							12,086	4	12,090
Other comprehensive income net of tax					(29,026)	169	(239)	(3,972)	(33,068)	(33,068)	2	(33,066)
Total comprehensive income	—	—	12,086	—	(29,026)	169	(239)	(3,972)	(33,068)	(20,982)	6	(20,976)
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)	—		—
Purchase of treasury stock				—						—		—
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	191,020	(3,627)	11,451	33,262	(725)	(5,782)	38,206	637,337	996	638,333
As of January 1, 2017	204,562	211,785	216,866	(3,627)	23,658	33,703	(388)	(4,168)	52,805	682,391	99	682,490
Comprehensive income												
Net income			25,060							25,060	(30)	25,030
Other comprehensive income net of tax					(20,752)	(1,926)	(244)	971	(21,951)	(21,951)	1	(21,950)
Total comprehensive income	—	—	25,060	—	(20,752)	(1,926)	(244)	971	(21,951)	3,109	(29)	3,080
Transactions with owners												
Contributions by and distributions to owners												
Issuance of common stock	108	107								215		215
Cash dividends paid			(6,419)							(6,419)		(6,419)
Reclassification from other components of equity to retained earnings			32			(32)			(32)	—		—
Purchase of treasury stock				(23,600)						(23,600)		(23,600)
Others		1,542	(112)	(2)						1,428		1,428
Total contributions by and distributions to owners	108	1,649	(6,499)	(23,602)	—	(32)	—	—	(32)	(28,376)	—	(28,376)
Changes in ownership interests in subsidiaries												
Issuance of common stock											—	—
Acquisitions and disposals of non-controlling interests		—								—	—	—
Others		4								4	13	17
Total changes in ownership interests in subsidiaries	—	4	—	—	—	—	—	—	—	4	13	17
Total transactions with owners	108	1,653	(6,499)	(23,602)	—	(32)	—	—	(32)	(28,372)	13	(28,359)
As of March 31, 2017	204,670	213,438	235,427	(27,229)	2,906	31,745	(632)	(3,197)	30,822	657,128	83	657,211

(4) Consolidated Statement of Cash Flows (Summary)

(Millions of Yen)

	Three months ended March 31, 2016 (January 1 to March 31, 2016)	Three months ended March 31, 2017 (January 1 to March 31, 2017)
Cash flows from operating activities		
Income before income tax	22,626	38,214
Depreciation and amortization	10,731	11,947
Other loss (income)	2,166	(11,243)
Decrease (Increase) in operating receivables	9,672	17,677
Decrease (Increase) in loans for credit card business	(5,415)	4,206
Increase (Decrease) in deposits for banking business	70,853	45,605
Net decrease (increase) in call loans for banking business	23,000	(20,000)
Decrease (Increase) in loans for banking business	(30,226)	(53,312)
Increase (Decrease) in operating payables	(31,159)	(34,798)
Decrease (Increase) in financial assets for securities business	64,293	(28,971)
Increase (Decrease) in financial liabilities for securities business	(35,510)	(479)
Others	(15,533)	(21,490)
Income tax paid	(19,007)	(9,309)
Net cash flows from (used in) operating activities	66,455	(61,953)
Cash flows from investing activities		
Increase in restricted deposits	(2)	(15,238)
Decrease in restricted deposits	13,016	1
Increase in time deposits	(2,044)	(1,571)
Decrease in time deposits	1,555	2,598
Purchase of property, plant and equipment	(2,668)	(22,379)
Purchase of intangible assets	(9,647)	(12,020)
Acquisition of subsidiaries	(14,648)	(4,393)
Purchase of investment securities for banking business	(75,267)	(79,006)
Proceeds from sales and redemption of investment securities for banking business	129,668	69,777
Purchase of investment securities for insurance business	(2,936)	(4,228)
Proceeds from sales and redemption of investment securities for insurance business	3,209	2,505
Purchase of investment securities	(5,997)	(2,759)
Proceeds from sales and redemption of investment securities	4,980	3,797
Other payments	(6,749)	(4,339)
Other proceeds	752	861
Net cash flows from (used in) investing activities	33,222	(66,394)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	4,234	81,198
Increase (Decrease) in commercial papers	2,000	28,000
Proceeds from long-term debt	68,000	79,011
Repayment of long-term debt	(25,068)	(60,459)
Cash dividends paid	(6,349)	(6,366)
Purchase of treasury stock	—	(23,602)
Others	(2,987)	(740)
Net cash flows from financing activities	39,830	97,042
Effect of change in exchange rates on cash and cash equivalents	(2,335)	(1,532)
Net increase (decrease) in cash and cash equivalents	137,172	(32,837)
Cash and cash equivalents at the beginning of the year	501,029	548,269
Cash and cash equivalents at the end of the period	638,201	515,432

(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, 2017

Basis of preparation

The Rakuten Group's summary of consolidated financial statements for the three months ended March 31, 2017 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 statements, it ought to be used in combination with the consolidated financial statements for the fiscal year ended December 31, 2016.

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, 2017 basically remain the same as those adopted in the consolidated financial statements for the previous fiscal year, except for the items below. In addition, income tax expenses for the three months ended March 31, 2017 is calculated based upon estimated annual effective tax rate.

Change in method of estimating insurance business policy reserves

With regard to insurance business policy reserves, the Rakuten Group has previously applied the method of measuring of insurance liabilities prescribed by laws and regulations that apply to insurance contracts in Japan. However, from the three months ended March 31, 2017, in order to measure insurance liabilities according to discount rates based on current market interest and reflect the time value of money, the Rakuten Group has changed to a method that recognizes interest arising from the book value of insurance liabilities during the reporting period under net income, and the amount of fluctuation in insurance liabilities associated with other fluctuations in the discount rate under other comprehensive income.

This change is made in order to reflect in a timely manner, market environment changes in the consolidated financial statements.

This change in accounting policy is applied retroactively, and the quarterly financial statements for the three months ended March 31, 2016, and the financial statements for the fiscal year ended December 31, 2016, have been prepared after retroactive application of the change.

As a result, compared to before the retroactive application of the change, operating expenses for the three months ended March 31, 2016 decreased by ¥405 million, and net income increased by ¥341 million. In addition, other comprehensive income, net of tax for the three months ended March 31, 2016 decreased by ¥3,972 million. When the cumulative effect of the change is reflected in equity attributable to owners of the parent company as of January 1, 2016, the balance of retained earnings as of January 1, 2016 increased by ¥5,877 million, whereas the balance of other components of equity as of January 1, 2016 decreased by ¥1,810 million.

Insurance accounting

Policy Reserves and Others for Insurance Business

In order to measure insurance liabilities according to discount rates based on market interest and reflect the time value of money, the Rakuten Group recognizes interest arising from the book value of insurance liabilities during the reporting period under net income, and the amount of fluctuation in insurance liabilities associated with other fluctuations in the discount rate under other comprehensive income.

A liability adequacy test is performed in consideration of current estimates of cash inflows, such as related insurance premiums and investment income, and cash outflows such as insurance claims and benefits and operating expenses. If the test shows that the liability is inadequate, the entire deficiency is recognized in the consolidated statement of income.

Significant accounting estimates and judgments

Preparation of the summary of consolidated financial statements under IFRS for the three months ended March 31, 2017 involves accounting estimates in respect of certain significant matters. Meanwhile, in the process of adopting accounting policies, management of the Rakuten Group is required to make its own judgments. The result of accounting estimation by its nature could be different from the actual outcome.

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

Estimates and judgments that have significant impact on the amounts in this summary of consolidated financial statements for the three months ended March 31, 2017 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 Global Innovation Company engaged in the two main activities of Internet Services and FinTech, the Group Companies were previously organized into three reportable segments: "Internet Services", "FinTech" and "Others". From the third quarter of the previous fiscal year, the Rakuten Group reviewed its internal reporting control framework, following the introduction of an Internal Company System. Accordingly, businesses that had previously comprised the “Others” segment were integrated into the businesses that comprise the “Internet Services” segment.

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, as well as provision of messaging and communication services and others, and management of professional sports.

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

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

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, 2016 (January 1 to March 31, 2016)

(Millions of Yen)

	Internet Services	FinTech	Total
Segment Revenue	125,572	71,544	197,116
Segment Profit (Loss)	11,837	15,669	27,506

Three months ended March 31, 2017 (January 1 to March 31, 2017)

(Millions of Yen)

	Internet Services	FinTech	Total
Segment Revenue	149,086	77,960	227,046
Segment Profit (Loss)	26,548	17,032	43,580

Reconciliation from Segment Revenue to Consolidated Revenue

(Millions of Yen)

	Three months ended March 31, 2016 (January 1 to March 31, 2016)	Three months ended March 31, 2017 (January 1 to March 31, 2017)
Segment Revenue	197,116	227,046
Intercompany transactions, etc.	(16,816)	(14,969)
Consolidated Revenue	180,300	212,077

Reconciliation from Segment Profit to Income Before Income Tax

(Millions of Yen)

	Three months ended March 31, 2016 (January 1 to March 31, 2016)	Three months ended March 31, 2017 (January 1 to March 31, 2017)
Segment Profit	27,506	43,580
Intercompany transactions, etc.*	(405)	271
Non-GAAP Operating Income*	27,101	43,851
Amortization of Intangible Assets (PPA)	(2,014)	(1,558)
Stock Based Compensation	(1,748)	(1,877)
Operating income*	23,339	40,416
Financial income and expenses	(912)	(701)
Share of income (loss) of associates and joint ventures	199	(1,501)
Income before income tax*	22,626	38,214

*Note: As stated in "Significant accounting policies," although the Rakuten Group has changed the method of measuring insurance liabilities in relation to insurance business policy reserves, this is not applied retroactively to segment profit or loss for the three months ended March 31, 2016. An adjustment to Non-GAAP operating income of ¥405 million is included in intercompany transactions, etc. As a result, compared to before the retroactive application, for the three months ended March 31, 2016, intercompany transactions, etc., Non-GAAP operating income, operating income, and income before income taxes each increased by ¥405 million.

Breakdown of Operating Expenses

(Millions of Yen)

	Three months ended March 31, 2016 (January 1 to March 31, 2016)	Three months ended March 31, 2017 (January 1 to March 31, 2017)
Advertising and promotion expenditures	26,382	32,174
Employee benefits expenses	36,400	39,005
Depreciation and amortization	10,731	11,947
Communication and maintenance expenses	5,090	5,329
Consignment and subcontract expenses	9,256	10,403
Allowance for doubtful accounts charged to expenses	6,587	6,406
Cost of sales of merchandise and service revenue	34,007	48,394
Interest expense for finance business	1,553	1,264
Commission expense for finance business	2,077	2,349
Insurance claims and other payments, and provision of policy reserves and others for insurance business	3,928	3,659
Others	21,649	26,683
Total	157,660	187,613

Notes on significant subsequent events

No items to report