

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, 2019

Rakuten, Inc.
May 10, 2019

Company name	Rakuten, Inc.	Listed	Tokyo Stock Exchange
Code No	4755	URL	https://www.rakuten.co.jp/
Representative (Title)	Chairman and CEO	(Name)	Hiroshi Mikitani
Contact person (Title)	CFO	(Name)	Kenji Hirose
Supplementary materials for financial results: Yes			
Financial results information meeting held: Yes (For institutional investors and analysts)			

1. Consolidated Results for the three months ended March 31, 2019 (January 1 – March 31, 2019)

(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, 2019	280,294	15.9	113,662	304.5	112,438	333.8	104,831	501.9
Three months ended March 31, 2018	241,871	14.0	28,098	(30.5)	25,922	(32.2)	17,417	(30.4)

	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, 2019	104,981	502.6	106,027	—	77.63	76.75
Three months ended March 31, 2018	17,421	(30.5)	(19,052)	—	12.93	12.83

(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, 2019	7,801,310	876,354	874,476	11.2
As of December 31, 2018	7,345,002	776,207	774,473	10.5

2. Dividend Distribution

	Dividend per Share				
	1Q	2Q	3Q	4Q	Year
	Yen	Yen	Yen	Yen	Yen
FY2018	—	0.00	—	4.50	4.50
FY2019	—	—	—	—	—
FY2019 (Forecast)	—	—	—	—	—

Note: Dividend per share for the fiscal year ending December 31, 2019 has not been decided yet, and there are no changes to the previously disclosed dividend forecast.

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

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

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

Note: There are no changes to the previously disclosed consolidated forecasts for the year ending December 31, 2019.

Notes

(1) Changes in significant subsidiaries during the current period

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

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

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

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

Note: For details, see page 15, 2. Consolidated Financial Statements (Summary) and Main Notes (6) Notes to the summary of consolidated financial statements for the three months ended March 31, 2019 (Significant accounting policies)

(3) Number of shares issued (Common stock)

1. Total number of shares issued at the end of the period (including treasury stocks)
 - 1,434,573,900 shares (As of March 31, 2019)
 - 1,434,573,900 shares (As of December 31, 2018)
2. Number of treasury stocks at the end of the period
 - 81,747,938 shares (As of March 31, 2019)
 - 82,555,538 shares (As of December 31, 2018)
3. Average number of shares during the period (cumulative from the beginning of the year)
 - 1,352,310,185 shares (January 1 – March 31, 2019)
 - 1,347,074,076 shares (January 1 – March 31, 2018)

This financial report is not subject to audit firm's quarterly review.

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

Consolidated forecasts for the year ending December 31, 2019 are based on information that is available at the time of writing, but a number of known and unknown factors could cause actual results to differ from the projections.

1. Qualitative Information, Financial Statements, etc.

(1) Qualitative Information Concerning Consolidated Business Results

The Rakuten Group discloses consolidated business results in terms of both its internal measures which the management relies upon in making decisions (hereinafter the “Non-GAAP financial measures”) and those under IFRS.

Non-GAAP operating income is operating income under IFRS (hereinafter “IFRS operating income”) after deducting unusual items and other adjustments as prescribed by the Rakuten Group. The management believes that the disclosure of Non-GAAP financial measures facilitates comparison between the Rakuten Group and peer companies in the same industry or comparison of its business results with those of prior fiscal years by stakeholders, and can provide useful information in understanding the underlying business results of the Rakuten Group and its future outlook. Unusual items refer to one-off items that the Rakuten Group believes shall be excluded for the purposes of preparing a future outlook based on certain rules. Other adjustment items are those that tend to differ depending on the standards applied, and are therefore less comparable between companies, such as stock-based compensation expenses and amortization of acquisition-related intangible assets.

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

i) Business Results for the Three Months Ended March 31, 2019 (Non-GAAP basis)

The world economy during the three months ended March 31, 2019 has been recovering gradually, although attention must still be paid to trends in trade issues and the impact of fluctuations in financial and capital markets. The Japanese economy also saw an ongoing gradual recovery due to signs of a pickup in personal consumption amid continuing improvement in the wage and employment environment, in addition to increased capital investment by companies and rising consumer prices.

The “Investments for the Future Strategy 2018,” adopted by cabinet decision in June 2018, calls on Japan to incorporate cutting-edge technologies such as IoT, robotics, artificial intelligence (AI) and Big Data throughout all industries and society as a whole in order to realize a new Society 5.0 that achieves both economic development and solutions to social problems, transforming to a data-driven society where it is possible to provide new added value through the collection, analysis and use of data.

Under such an environment, the Rakuten Group is at the forefront of corporate efforts to combine knowledge from these fields while proceeding with the development of businesses that bring together membership, data, and branding, with the goal of expanding the Rakuten Ecosystem globally.

In domestic e-commerce services, the mainstay of Internet Services, the Rakuten Group is aiming for further growth in gross merchandise sales and revenues by working on various initiatives, including sales promotion activities to cultivate loyal customers and win new customers, promotion of cross-use of services, programs aimed at improving customer satisfaction, development of advertising businesses using data, strategies to enhance services for smart devices, and further opening up the Rakuten Ecosystem. As for overseas Internet services, the Rakuten Group is integrating overseas subsidiaries including the U.S.-based Ebates Inc. (hereinafter “Ebates”) into the Rakuten brand, and conducting proactive sales promotion activities to raise the profile of the Rakuten brand and expand business overseas. In the investment business, the Rakuten Group is proceeding with investment in companies that have innovative technology and business models. With regard to these investments, the Rakuten Group recorded ¥110,433 million in valuation gains on securities due to an IPO conducted by the U.S.-based Lyft, Inc. (hereinafter “Lyft”), a Rakuten Group investee, on the U.S. Nasdaq market on March 29, 2019.

In the FinTech segment, growth in shopping transaction volume and revolving balances due to expansion of Rakuten Card’s membership base contributed to revenue and income. In addition, in banking services, revenue and income continued to expand due to an increase in interest income from growing loan balances and improvements in cost efficiency, despite the backdrop of a negative interest rate policy. In the payment business, the number of users expanded as a result of providing a new app that integrates various payment services amid the trend towards promoting a shift to a cashless society. Meanwhile, in securities services, revenue and income decreased due to reduced commissions under the backdrop of a sluggish domestic stock market.

In the Mobile segment, the Rakuten Group is implementing a plan approved by the Minister for Internal Affairs and Communications in April 2018 to set up specified base stations to promote the spread of fourth-

generation mobile communications, and is also conducting verification tests for fifth-generation mobile communications. In addition, Rakuten Viber, which provides messaging and VoIP services, saw a significant increase in revenue due to an expanding membership base.

Through these efforts, the Rakuten Group achieved revenue of ¥280,294 million, up 15.9% year-on-year, for the three months ended March 31, 2019. Non-GAAP operating income was ¥117,977 million, up 270.5% year-on-year.

(Non-GAAP)

(Millions of yen)

	Three months ended March 31, 2018	Three months ended March 31, 2019	Amount Change YoY	% Change YoY
Revenue	241,871	280,294	38,423	15.9%
Non-GAAP Operating Income	31,843	117,977	86,134	270.5%

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

For the three months ended March 31, 2019, amortization of intangible assets of ¥2,356 million and stock-based compensation expenses of ¥1,959 million were excluded from Non-GAAP operating income.

(Millions of yen)

	Three months ended March 31, 2018	Three months ended March 31, 2019	Amount Change YoY
Non-GAAP operating income	31,843	117,977	86,134
Amortization of intangible assets (PPA)	(1,754)	(2,356)	(602)
Stock based compensation	(1,991)	(1,959)	32
IFRS Operating Income	28,098	113,662	85,564

iii) Business Results for the Three Months ended March 31, 2019 (IFRS basis)

The Rakuten Group recorded revenue of ¥280,294 million, up 15.9% year-on-year, operating income of ¥113,662 million, up 304.5% year-on-year, and net income attributable to owners of the parent company of ¥104,981 million, up 502.6% year-on-year, for the three months ended March 31, 2019.

(IFRS)

(Millions of yen)

	Three months ended March 31, 2018	Three months ended March 31, 2019	Amount Change YoY	% Change YoY
Revenue	241,871	280,294	38,423	15.9%
Operating income	28,098	113,662	85,564	304.5%
Net income attributable to owners of the parent company	17,421	104,981	87,560	502.6%

iv) Segment Information

At the Meeting of the Board of Directors held on March 28, 2019, the Company resolved to change its internal reporting management structure in conjunction with the reorganization of group companies through a company split on April 1, 2019. The “Mobile” segment was added to the current reporting segments of “Internet Services” and “FinTech” to form three reporting segments starting in the first quarter ended March 31, 2019. The “Mobile” segment comprises business operations engaged in communication and messaging services. 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 domestic e-commerce services, the mainstay of Internet Services, the Rakuten Group aimed for further growth in revenues by working on various initiatives, including sales promotion activities to cultivate loyal customers and win new customers, promotion of cross-use of services, programs aimed at improving customer satisfaction, development of advertising businesses using data, strategies to enhance services for smart devices, and further opening up the Rakuten Ecosystem. The Rakuten Group worked to mitigate the medium to long-term impact of volume limits and increased shipping costs from shipping companies and to enhance the convenience of both customers and merchants who use Rakuten services by carrying out a fully-fledged reinforcement of its logistics network, including the launch of operations at two new logistics hubs in Nagareyama, Chiba Prefecture, and Hirakata, Osaka Prefecture, in January 2019. In overseas Internet services, the Rakuten Group is integrating overseas subsidiaries including Ebates into the Rakuten brand, and conducting proactive sales promotion activities to raise the profile of the Rakuten brand and expand business overseas. In the investment business, the Rakuten Group is proceeding with investment in companies that have innovative technology and business models. With regard to these investments, the Rakuten Group recorded ¥110,433 million in valuation gains on securities due to an IPO conducted by Lyft, a Rakuten Group investee, on the U.S. Nasdaq market on March 29, 2019.

As a result, revenue for the Internet Services segment rose to ¥169,975 million, a 13.8% year-on-year increase, while segment profit stood at ¥111,465 million, a 620.8% year-on-year increase.

(Millions of yen)

	Three months ended March 31, 2018	Three months ended March 31, 2019	Amount Change YoY	% Change YoY
Segment Revenue	149,316	169,975	20,659	13.8%
Segment Profit	15,463	111,465	96,002	620.8%

FinTech

Growth in shopping transaction volume and revolving balances due to expansion of Rakuten Card’s membership base contributed to revenue and income. In addition, in banking services, revenue and income continued to expand due to an increase in interest income from growing loan balances and improvements in cost efficiency, despite the backdrop of a negative interest rate policy. Meanwhile, in securities services, revenue and income decreased due to reduced commissions under the backdrop of a sluggish domestic stock market.

As a result, the FinTech segment recorded ¥114,215 million in revenue, a 22.1% year-on-year increase, while segment profit stood at ¥20,105 million, a 1.4% year-on-year decrease.

(Millions of yen)

	Three months ended March 31, 2018	Three months ended March 31, 2019	Amount Change YoY	% Change YoY
Segment Revenue	93,560	114,215	20,655	22.1%
Segment Profit	20,393	20,105	(288)	(1.4)%

Mobile

The Rakuten Group is implementing a plan approved by the Minister for Internal Affairs and Communications in April 2018 to set up specified base stations to promote the spread of fourth-generation mobile communications, and is also conducting verification tests for fifth-generation mobile communications. In addition, Rakuten Viber, which provides messaging and VoIP services, saw a significant increase in revenue due to an expanding membership base.

As a result, the Mobile segment recorded ¥25,363 million in revenue, a 23.2% year-on-year increase, while segment loss amounted to ¥6,425 million compared to a loss of ¥638 million in the three months ended March 31, 2018.

(Millions of yen)

	Three months ended March 31, 2018	Three months ended March 31, 2019	Amount Change YoY	% Change YoY
Segment Revenue	20,591	25,363	4,772	23.2%
Segment Profit	(638)	(6,425)	(5,787)	— %

(2) Analysis Concerning Financial Position

i) Assets, Liabilities, and Net Assets

Assets

Total assets as of March 31, 2019 amounted to ¥7,801,310 million, an increase of ¥456,308 million from ¥7,345,002 million at the end of the previous fiscal year. The primary factors include an increase of ¥115,268 million in property, plant and equipment, and an increase of ¥99,871 million in securities due to an increase in right-of-use assets following the adoption of IFRS 16 Leases.

Liabilities

Total liabilities as of March 31, 2019 amounted to ¥6,924,956 million, an increase of ¥356,161 million from ¥6,568,795 million at the end of the previous fiscal year. The primary factors include an increase of ¥171,526 million in bonds and borrowings, an increase of ¥126,185 million in deposits for banking business due mainly to an increase in the number of savings accounts at Rakuten Bank, Ltd., and an increase of ¥85,909 million in other financial liabilities due mainly to an increase in lease liabilities following the adoption of IFRS 16 Leases.

Equity

Equity as of March 31, 2019 was ¥876,354 million, an increase of ¥100,147 million from ¥776,207 million at the end of the previous fiscal year. The primary factors include an increase of ¥97,248 million in retained earnings due mainly to recording of ¥104,981 million in net income attributable to owners of the parent company during the first quarter ended March 31, 2019.

ii) Cash Flows

Cash and cash equivalents as of March 31, 2019 was ¥1,080,330 million, an increase of ¥90,088 million from the end of the previous fiscal year. Among these, deposits with the Bank of Japan for banking business were ¥738,169 million, an increase of ¥141,247 million from the end of the previous fiscal year. Cash flow conditions and their main factors for the three months ended March 31, 2019 are as follows.

Net cash flows from operating activities

Net cash flows from operating activities for the three months ended March 31, 2019 resulted in a cash outflow of ¥58,017 million (compared with a cash outflow of ¥103,559 million for the same period of the previous fiscal year). Main factors included a cash inflow of ¥126,253 million due to an increase in deposits for banking business, a cash outflow of ¥83,163 million due to an increase in financial assets for securities business, a cash outflow of ¥45,006 million due to an increase in loans for banking business, and a cash outflow of ¥23,401 million due to a decrease in operating payables among other things.

Net cash flows from investing activities

Net cash flows from investing activities for the three months ended March 31, 2019 resulted in a cash outflow of ¥18,495 million (compared with a cash outflow of ¥9,428 million for the same period of the previous fiscal year). Main factors included a net cash inflow of ¥10,738 million due to purchase and sales, etc. of investment securities for banking business (a cash inflow of ¥65,093 million due to sales and redemption of investment securities, and a cash outflow of ¥54,355 million due to purchase of investment securities), offset by a cash outflow of ¥25,270 million due to purchase of property, plant and equipment.

Net cash flows from financing activities

Net cash flows from financing activities for the three months ended March 31, 2019 resulted in a cash inflow of ¥161,268 million (compared with a cash inflow of ¥150,630 million for the same period of the previous fiscal year). Main factors included a cash outflow of ¥88,233 million due to repayment of long-term debt, offset by a cash inflow of ¥105,000 million due to long-term debt, a cash inflow of ¥78,357 million due to an increase in short-term borrowings, and a cash inflow of ¥76,000 million due to an increase in commercial papers.

(3) Qualitative Information about Consolidated Business Forecasts

For the forecast of consolidated operating results for Fiscal Year 2019, the Rakuten Group aims at double-digit growth from the previous fiscal year for consolidated revenues, excluding results from the securities business which are impacted substantially by the stock market.

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

Internet Services

In services including e-commerce and travel booking services, the Rakuten Group will aim for further growth in gross transaction value and revenue by pursuing various initiatives, such as cultivating a loyal customer base, winning new users, promoting cross-use of services and making efforts to improve customer satisfaction, along with establishing logistics hubs with a view to expanding the e-commerce platform, enhancing services for smart devices, and promoting strategies for opening up the Rakuten Ecosystem. The Rakuten Group will also seek to create opportunities for further growth including the development of advertising businesses through the use of technologies such as data and AI.

In overseas Internet services including Ebates, we aim to expand the Rakuten Ecosystem's membership base and provide new value to users.

FinTech

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

Mobile

In communication and messaging services such as Rakuten Mobile and Rakuten Viber, we aim to increase revenue by expanding the Rakuten Ecosystem's membership base and providing new value to users. In communication services, expenses are expected to be incurred for establishing specified base stations, etc., in line with the launch of the cell phone carrier business in October 2019.

3. Consolidated Financial Statements (Summary)

(1) Consolidated Statement of Financial Position (Summary)

(Millions of yen)

	As of December 31, 2018	As of March 31, 2019
Assets		
Cash and cash equivalents	990,242	1,080,330
Accounts receivable – trade	181,026	160,969
Financial assets for securities business	1,789,832	1,873,077
Loans for credit card business	1,464,030	1,461,701
Investment securities for banking business	205,641	195,072
Loans for banking business	891,925	936,931
Investment securities for insurance business	277,057	268,710
Derivative assets	27,388	20,459
Investment securities	384,788	484,659
Other financial assets	275,800	296,209
Investments in associates and joint ventures	12,788	13,844
Property, plant and equipment	91,335	206,603
Intangible assets	553,815	589,682
Deferred tax assets	50,049	49,853
Other assets	149,286	163,211
Total assets	7,345,002	7,801,310
Liabilities		
Accounts payable – trade	255,353	232,294
Deposits of banking business	2,355,114	2,481,299
Financial liabilities of securities business	1,753,216	1,751,279
Derivative liabilities	9,213	6,103
Bonds and borrowings	1,234,143	1,405,669
Other financial liabilities	444,531	530,440
Income taxes payable	13,243	12,037
Provisions	90,516	88,909
Insurance business policy reserve	334,536	330,997
Employee retirement benefit liabilities	5,164	6,398
Deferred tax liabilities	13,059	13,202
Other liabilities	60,707	66,329
Total liabilities	6,568,795	6,924,956
Equity		
Equity attributable to owners of the parent company		
Common stock	205,924	205,924
Capital surplus	218,856	219,892
Retained earnings	424,568	521,816
Treasury stock	(97,300)	(96,347)
Other components of equity	22,425	23,191
Total equity attributable to owners of the parent company	774,473	874,476
Non-controlling interests	1,734	1,878
Total equity	776,207	876,354
Total liabilities and equity	7,345,002	7,801,310

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

Consolidated Statement of Income (Summary)

(For the three months ended March 31, 2018 and 2019)

(Millions of yen)

	Three months ended March 31, 2018 (January 1 to March 31, 2018)	Fiscal year ended March 31, 2019 (January 1 to March 31, 2019)
Continuing Operations		
Revenue	241,871	280,294
Operating expenses	220,004	276,857
Other income	6,652	111,545
Other expenses	421	1,320
Operating income	28,098	113,662
Financial income	147	325
Financial expenses	896	2,461
Share of income (loss) of investments accounted for using equity method	(1,427)	912
Income before income tax	25,922	112,438
Income tax expense	8,505	7,607
Net income	17,417	104,831
Net income attributable to:		
Owners of parent	17,421	104,981
Non-controlling interests	(4)	(150)
Net income	17,417	104,831
(Yen)		
Earnings per share attributable to owners of the parent company		
Basic	12.93	77.63
Diluted	12.83	76.75

Consolidated Statement of Comprehensive Income (Summary)

(For the three months ended March 31, 2018 and 2019)

(Millions of yen)

	Three months ended March 31, 2018 (January 1 to March 31, 2018)	Three months ended March 31, 2019 (January 1 to March 31, 2019)
Net income	17,417	104,831
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Gains (losses) on equity instruments measured at fair value through other comprehensive income	(1,907)	(2,752)
Income tax effect of gains and losses on equity instruments measured at fair value through other comprehensive income	(0)	(1,614)
Remeasurement of insurance policy reserves based on current market interest rates	(744)	(3,063)
Income tax effect of remeasurement of insurance policy reserves based on current market interest rates	208	857
Remeasurement of defined benefit plans	—	(7)
Income tax effect of remeasurement of defined benefit plans	—	2
Share of other comprehensive income of associates and joint ventures	(1)	0
Total items that will not be reclassified to profit or loss	(2,444)	(6,577)
Items that will be reclassified to profit or loss		
Foreign currency translation adjustments	(33,499)	6,862
Gains (losses) on debt instruments measured at fair value through other comprehensive income	203	1,974
Allowances for doubtful debts on debt instruments measured at fair value through other comprehensive income	9	(37)
Gains (losses) on debt instruments measured at fair value through other comprehensive income reclassified from other comprehensive income to profit or loss	(2)	(182)
Income tax effect of gains or losses on debt instruments measured at fair value through other comprehensive income	(61)	(493)
Gains (losses) on cash flow hedges recognized in other comprehensive income	147	(500)
Income tax effect of gains or losses on cash flow hedges recognized in other comprehensive income	9	142
Gains (losses) on cash flow hedges reclassified from other comprehensive income to profit or loss	113	105
Income tax effect of gains or losses on cash flow hedges reclassified from other comprehensive income to profit or loss	(33)	(32)
Share of other comprehensive income of associates and joint ventures	(911)	(66)
Total items that will be reclassified to profit or loss	(34,025)	7,773
Other comprehensive income, net of tax	(36,469)	1,196
Comprehensive income	(19,052)	106,027
Comprehensive income attributable to:		
Owners of the parent company	(19,048)	106,173
Non-controlling interests	(4)	(146)
Comprehensive income	(19,052)	106,027

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

(Millions of yen)

	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Other components of equity	
					Foreign currency translation adjustments	Financial instruments measured at fair value through other comprehensive income
As of January 1, 2018	205,924	217,185	320,397	(103,616)	15,586	31,866
Cumulative impact from change in accounting policy	—	—	(35,421)	—	—	315
Current period balance reflecting change in accounting policy	205,924	217,185	284,976	(103,616)	15,586	32,181
Comprehensive income						
Net income	—	—	17,421	—	—	—
Other comprehensive income net of tax	—	—	—	—	(34,410)	(1,759)
Total comprehensive income	—	—	17,421	—	(34,410)	(1,759)
Transactions with owners						
Contributions by and distributions to owners						
Cash dividends paid	—	—	(6,060)	—	—	—
Reclassification from other components of equity to retained earnings	—	—	170	—	—	(170)
Disposal of treasury stock with the exercise of stock options	—	(777)	—	972	—	—
Others	—	1,999	(66)	—	—	—
Total contributions by and distributions to owners	—	1,222	(5,956)	972	—	(170)
Changes in ownership interests in subsidiaries						
Others	—	—	—	—	—	—
Total changes in ownership interests in subsidiaries	—	—	—	—	—	—
Total transactions with owners	—	1,222	(5,956)	972	—	(170)
As of March 31, 2018	205,924	218,407	296,441	(102,644)	(18,824)	30,252

	Other components of equity						Total equity
	Cash flow hedges	Remeasurement of insurance business policy reserves based on current market interest rates	Remeasurement of retirement benefit plans	Total other components of equity	Total equity attributable to owners of the parent company	Non-controlling interests	
As of January 1, 2018	(664)	(3,497)	—	43,291	683,181	227	683,408
Cumulative impact from change in accounting policy	—	—	—	315	(35,106)	—	(35,106)
Current period balance reflecting change in accounting policy	(664)	(3,497)	—	43,606	648,075	227	648,302
Comprehensive income							
Net income	—	—	—	—	17,421	(4)	17,417
Other comprehensive income net of tax	236	(536)	—	(36,469)	(36,469)	—	(36,469)
Total comprehensive income	236	(536)	—	(36,469)	(19,048)	(4)	(19,052)
Transactions with owners							
Contributions by and distributions to owners							
Cash dividends paid	—	—	—	—	(6,060)	—	(6,060)
Reclassification from other components of equity to retained earnings	—	—	—	(170)	—	—	—
Disposal of treasury stock with the exercise of stock options	—	—	—	—	195	—	195
Others	—	—	—	—	1,933	—	1,933
Total contributions by and distributions to owners	—	—	—	(170)	(3,932)	—	(3,932)
Changes in ownership interests in subsidiaries							
Others	—	—	—	—	—	314	314
Total changes in ownership interests in subsidiaries	—	—	—	—	—	314	314
Total transactions with owners	—	—	—	(170)	(3,932)	314	(3,618)
As of March 31, 2018	(428)	(4,033)	—	6,967	625,095	537	625,632

(Millions of yen)

	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Other components of equity	
					Foreign currency translation adjustments	Financial instruments measured at fair value through other comprehensive income
As of January 1, 2019	205,924	218,856	424,568	(97,300)	1,462	25,781
Cumulative impact from change in accounting policy	—	—	(2,087)	—	—	—
Current period balance reflecting change in accounting policy	205,924	218,856	422,481	(97,300)	1,462	25,781
Comprehensive income						
Net income	—	—	104,981	—	—	—
Other comprehensive income net of tax	—	—	—	—	6,794	(3,108)
Total comprehensive income	—	—	104,981	—	6,794	(3,108)
Transactions with owners						
Contributions by and distributions to owners						
Cash dividends paid	—	—	(6,084)	—	—	—
Reclassification from other components of equity to retained earnings	—	—	426	—	—	(426)
Disposal of treasury stock with the exercise of stock options	—	(884)	—	953	—	—
Others	—	1,920	12	—	—	—
Total contributions by and distributions to owners	—	1,036	(5,646)	953	—	(426)
Changes in ownership interests in subsidiaries						
Others	—	—	—	—	—	—
Total changes in ownership interests in subsidiaries	—	—	—	—	—	—
Total transactions with owners	—	1,036	(5,646)	953	—	(426)
As of March 31, 2019	205,924	219,892	521,816	(96,347)	8,256	22,247

	Other components of equity						Total equity
	Cash flow hedges	Remeasurement of insurance business policy reserves based on current market interest rates	Remeasurement of retirement benefit plans	Total other components of equity	Total equity attributable to owners of the parent company	Non-controlling interests	
As of January 1, 2019	(511)	(4,260)	(47)	22,425	774,473	1,734	776,207
Cumulative impact from change in accounting policy	—	—	—	—	(2,087)	—	(2,087)
Current period balance reflecting change in accounting policy	(511)	(4,260)	(47)	22,425	772,386	1,734	774,120
Comprehensive income							
Net income	—	—	—	—	104,981	(150)	104,831
Other comprehensive income net of tax	(284)	(2,205)	(5)	1,192	1,192	4	1,196
Total comprehensive income	(284)	(2,205)	(5)	1,192	106,173	(146)	106,027
Transactions with owners							
Contributions by and distributions to owners							
Cash dividends paid	—	—	—	—	(6,084)	—	(6,084)
Reclassification from other components of equity to retained earnings	—	—	—	(426)	—	—	—
Disposal of treasury stock with the exercise of stock options	—	—	—	—	69	—	69
Others	—	—	—	—	1,932	—	1,932
Total contributions by and distributions to owners	—	—	—	(426)	(4,083)	—	(4,083)
Changes in ownership interests in subsidiaries							
Others	—	—	—	—	—	290	290
Total changes in ownership interests in subsidiaries	—	—	—	—	—	290	290
Total transactions with owners	—	—	—	(426)	(4,083)	290	(3,793)
As of March 31, 2019	(795)	(6,465)	(52)	23,191	874,476	1,878	876,354

(4) Consolidated Statement of Cash Flows (Summary)

(Millions of Yen)

	Three months ended March 31, 2018 (January 1 to March 31, 2018)	Three months ended March 31, 2019 (January 1 to March 31, 2019)
Cash flows from operating activities		
Income before income tax	25,922	112,438
Depreciation and amortization	15,638	23,737
Other loss (Income)	1,712	(109,578)
Decrease (Increase) in operating receivables	19,464	20,608
Decrease (Increase) in loans for credit card business	2,627	2,341
Increase (Decrease) in deposits for banking business	(5,428)	126,253
Net decrease (increase) in call loans for banking business	(20,000)	(18,000)
Decrease (Increase) in loans for banking business	(45,261)	(45,006)
Increase (Decrease) in operating payables	(28,913)	(23,401)
Decrease (Increase) in financial assets for securities business	58,196	(83,163)
Increase (Decrease) in financial liabilities for securities business	(72,721)	(2,012)
Others	(50,508)	(52,414)
Income tax paid	(4,287)	(9,820)
Net cash flows from (used in) operating activities	(103,559)	(58,017)
Cash flows from investing activities		
Increase in time deposits	(1,616)	(2,149)
Decrease in time deposits	1,040	2,167
Purchase of property, plant and equipment	(2,650)	(25,270)
Purchase of intangible assets	(11,453)	(20,654)
Acquisition of subsidiaries	(2,931)	(1,779)
Proceeds from acquisition of subsidiaries	3,010	—
Purchase of investment securities for banking business	(88,051)	(54,355)
Proceeds from sales and redemption of investment securities for banking business	92,954	65,093
Purchase of investment securities for insurance business	(3,547)	(10,456)
Proceeds from sales and redemption of investment securities for insurance business	5,904	25,695
Purchase of investment securities	(3,594)	(6,478)
Proceeds from sales and redemption of investment securities	2,488	11,777
Other payments	(1,826)	(4,469)
Other proceeds	844	2,383
Net cash flows from (used in) investing activities	(9,428)	(18,495)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	87,052	78,357
Increase (Decrease) in commercial papers	53,000	76,000
Proceeds from long-term debt	91,499	105,000
Repayment of long-term debt	(74,358)	(88,233)
Repayment of leases	(148)	(3,484)
Cash dividends paid	(6,010)	(6,113)
Others	(405)	(259)
Net cash flows from financing activities	150,630	161,268
Effect of change in exchange rates on cash and cash equivalents	(3,749)	5,332
Net increase (decrease) in cash and cash equivalents	33,894	90,088
Cash and cash equivalents at the beginning of the period	700,881	990,242
Cash and cash equivalents at the end of the period	734,775	1,080,330

(5) Assumptions for going concern for the three months ended March 31, 2019

No items to report

(6) Notes to the summary of consolidated financial statements for the three months ended March 31, 2019

(Basis of presentation)

The Rakuten Group's summary of consolidated financial statements for the three months ended March 31, 2019 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 under the Designated International Accounting Standards" 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, 2018.

(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, 2019 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, 2019 are calculated based upon an estimated annual effective tax rate.

Adoption of IFRS 16

The Rakuten Group has adopted IFRS 16 from the three months ended March 31, 2019.

IFRS		Description of the revision
IFRS 16	Leases	Revisions related to accounting for leases

Lease transactions (lessee)

At the commencement date, a lessee shall measure the lease liability at the present value of the lease payments that are not paid at that date. Right-of-use assets are measured initially at an amount calculated by adjusting the initially measured amount of lease liabilities by initial direct cost and lease prepayments, etc. which is then added by the cost of carry out obligations to restore the property to its original state as required under lease agreements. Right-of-use assets are subject to depreciation on a systematic basis over the lease term.

The discount rate used in measuring the present value of the lease payments that are not paid at that date is the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate.

Lease payments are allocated into interest cost and the portion of the balance of lease liability to be repaid, to ensure that the interest rate remains constant for the balance of lease liability. Financial cost shall be presented separately from the depreciation of the right-of-use assets in the consolidated statement of income.

Whether an agreement constitutes a lease agreement, or elements of a lease shall be determined by the substance of the agreement, regardless of whether it is legally presented in the form of a lease or not.

The Rakuten Group has adopted IFRS 16 on a retroactive basis, in accordance with the transitional arrangement, whereby the cumulative effect of adoption is recognized as an adjustment to the opening balance of retained earnings for the fiscal year under review.

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognized in the statement of financial position at the date of initial application is 0.6%.

The difference between the total amount of minimum lease payments based on the non-cancellable operating lease agreements, as disclosed on December 31, 2018 by adopting IAS 17, and the lease liabilities recognized at the time of adopting IFRS 16 amounted to ¥51,542 million, which largely reflects the impact of the review of lease terms on adopting IFRS 16.

Accordingly, compared with the outcome calculated based on the previously adopted accounting standards, right-of-use assets included mainly in property, plant and equipment increased by ¥86,833 million as at the beginning of the year, and lease liabilities included in other financial liabilities increased by ¥91,420 million, while retained earnings decreased by ¥2,087 million.

(Significant accounting estimates and judgments)

Preparation of the summary of consolidated financial statements under IFRS for the three months ended March 31, 2019 involves accounting estimates in respect of certain significant matters. Meanwhile, in the process of adopting accounting policies, management of the Rakuten Group is required to make its own judgments. Resulting accounting estimates by their nature may be different from the actual outcome.

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

Estimates and judgments that have significant impact on the amounts in the consolidated financial statements for the three months ended March 31, 2019 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 had been organized into two reportable segments: "Internet Services" and "FinTech". At the Meeting of the Board of Directors held on March 28, 2019, the Company resolved to change its internal reporting management structure in conjunction with the reorganization of group companies through a company split on April 1, 2019. The "Mobile" segment was added to the current reporting segments of "Internet Services" and "FinTech" to form three reporting segments starting in the first quarter ended March 31, 2019.

Segment information for the three months ended March 31, 2018 was prepared based on the classification after the aforementioned change.

For the new reportable segments, separate financial information on the operational units of the Group is available, and such financial information is subject to periodic review for the Board of Directors to decide on the distribution of management resources and evaluate performance.

The "Internet Services" segment comprises businesses running various EC (e-commerce) sites including internet shopping mall Rakuten Ichiba, online cash-back sites, travel booking sites, portal sites and digital content sites, along with sales of advertising, etc. on these sites, and management of professional sports teams, etc.

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

The "Mobile" segment comprises business operations engaged in communication and messaging services.

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

Operating segment information is reported in accordance with IFRS. Operating segment revenue and profit or loss amounts are those before intersegment eliminations, without consideration of consolidation adjustments, except for certain consolidated subsidiaries. The internal measures management relies upon in making decisions are Non-GAAP operating income; operating income in accordance with IFRS adjusted for unusual items and other adjustment items prescribed by the Rakuten Group.

Management believes that the disclosure of Non-GAAP financial measures facilitates comparison between the Rakuten Group and peer companies in the same industry or comparison of its business results

with those of prior fiscal years by stakeholders, and can provide useful information in understanding the underlying business results of the Rakuten Group and its future outlook. Unusual items refer to one-off items that the Rakuten Group believes shall be excluded for the purposes of preparing a future outlook based on certain rules. Other adjustment items are those that tend to differ depending on the standards applied, and are therefore less comparable between companies, such as stock-based compensation expenses and amortization of acquisition-related intangible assets.

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

Three months ended March 31, 2018 (January 1 to March 31, 2018)

(Millions of Yen)

	Internet Services	FinTech	Mobile	Total
Segment Revenue	149,316	93,560	20,591	263,467
Segment Profit (Loss)	15,463	20,393	(638)	35,218

Three months ended March 31, 2019 (January 1 to March 31, 2019)

(Millions of Yen)

	Internet Services	FinTech	Mobile	Total
Segment Revenue	169,975	114,215	25,363	309,553
Segment Profit (Loss)	111,465	20,105	(6,425)	125,145

Reconciliation from Segment Revenue to Consolidated Revenue

(Millions of Yen)

	Three months ended March 31, 2018 (January 1 to March 31, 2018)	Three months ended March 31, 2019 (January 1 to March 31, 2019)
Segment Revenue	263,467	309,553
Intercompany transactions, etc.	(21,596)	(29,259)
Consolidated Revenue	241,871	280,294

Reconciliation from Segment Profit to Income Before Income Tax

(Millions of Yen)

	Three months ended March 31, 2018 (January 1 to March 31, 2018)	Three months ended March 31, 2019 (January 1 to March 31, 2019)
Segment Profit	35,218	125,145
Intercompany transactions, etc.	(3,375)	(7,168)
Non-GAAP Operating Income	31,843	117,977
Amortization of Intangible Assets (PPA)	(1,754)	(2,356)
Stock Based Compensation	(1,991)	(1,959)
Operating income	28,098	113,662
Financial income and expenses	(749)	(2,136)
Share of income (loss) of associates and joint ventures	(1,427)	912
Income before income tax	25,922	112,438

Breakdown of Operating Expenses

(Millions of Yen)

	Three months ended March 31, 2018 (January 1 to March 31, 2018)	Three months ended March 31, 2019 (January 1 to March 31, 2019)
Advertising and promotion expenditures	41,082	52,196
Employee benefits expenses	41,143	48,946
Depreciation and amortization	14,543	23,737
Communication and maintenance expenses	6,194	7,009
Consignment and subcontract expenses	12,190	16,391
Allowance for doubtful accounts charged to expenses	8,654	9,732
Cost of sales of merchandise and service revenue	59,356	73,179
Interest expense for finance business	1,540	1,771
Commission expense for finance business	2,560	2,894
Insurance claims and other payments, and provision of policy reserves and others for insurance business	3,216	7,352
Others	29,526	33,650
Total	220,004	276,857

(Other Income)

(Millions of Yen)

	Three months ended March 31, 2018 (January 1 to March 31, 2018)	Three months ended March 31, 2019 (January 1 to March 31, 2019)
Foreign exchange gains	485	—
Valuation gains on securities (note)	3,584	110,433
Others	2,583	1,112
Total	6,652	111,545

Note: In the three months ended March 31, 2019, the Company booked ¥ 108,340 million in unrealized gains on ridesharing business related investments.

Notes on significant subsequent events

No items to report