

April 24, 2019

Company name Rakuten, Inc.

Representative Hiroshi Mikitani

Chairman and CEO

(Stock Code: 4755

Tokyo Stock Exchange First Section)

Announcement of Financial Results of Rakuten Securities, Inc., a Consolidated Subsidiary

Rakuten Securities, Inc. (President: Yuji Kusunoki. Head Office: Setagaya-ku, Tokyo), a consolidated subsidiary of Rakuten, Inc., today issued the attached press release relating to its consolidated financial reports (based on J-GAAP) for the three months ended March 31, 2019.

Rakuten Group plans to announce consolidated financial reports for the three months ended March 31, 2019, on May 10, 2019 (Friday).

In addition, Rakuten Group announces financial results based on IFRS. The attached financial results of Rakuten Securities, Inc. are based on J-GAAP, which has different accounting processes for transactions from IFRS.

Financial Reports For the three months ended March 31, 2019

Rakuten Securities, Inc.

Rakuten Securities, Inc. (President: Yuji Kusunoki. Head Office: Setagaya-ku, Tokyo) consolidated financial reports for the first quarter ended March 31, 2019 (J-GAAP).

The financial reports of Rakuten Securities, Inc. are based on "Uniform Accounting Standards for Securities Companies" (set by the Board of Directors of the Japan Securities Dealers Association, November 14, 1974). Commodity futures transactions are based on "Uniform Accounting Standards for Commodity Futures Transactions" (set by the Board of Directors of the Commodity Futures Association of Japan, March 3, 1993).

Results for the first quarter ended March 31, 2019 (From January 1, 2019 to March 31, 2019)

Consolidated Operating Results*

(Millions of yen, rounded down)

	Operating revenue	Net operating revenue	Operating income	Ordinary income	Net income
Three months ended March 31, 2019	14,386	13,826	3,336	3,073	1,909
Three months ended June 30, 2018	14,619	13,882	5,272	5,108	3,489

(Notes)

(Change of accounting policy)

(Application of Accounting Standard for Revenue Recognition)

Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 30, 2018, hereinafter referred to as "Revenue Accounting Standard") and Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 30, 2018), applicable from the consolidated fiscal year beginning April 1, 2018, has been applied from the beginning of this accounting period. When the control of the promised goods or services is transferred to the customer, the company recognizes revenue as the amount expected to be received in exchange for the goods or services.

This changes the way revenue is recognized, as financial expenses and selling and general expenses related to the transaction is offset with the revenue and only the net amount is recorded in case where the Company is an agent in the transactions involving third parties. In addition, incremental customer acquisition cost and fulfillment cost that is expected to be recoverable is recognized as an asset.

The application of the Revenue Accounting Standard is in accordance with the transitional treatment set forth in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition, and the aggregate amount of the impact on retroactive application of the new accounting policy prior to the beginning of the first quarter is added to the retained earnings at the beginning of the first quarter, and the new accounting policy is applied from the balance at the beginning of the current period. In addition, the method specified in Paragraph 86 paragraph (1) of the Accounting Standard for Revenue Recognition, for contract changes made prior to the beginning of the current quarter of the consolidated accounting

period, the following processes from 1 to 3 are performed, and the cumulative impact is added to retained earnings at the beginning of the first quarter of the current consolidated accounting period.

- 1) Classification of filled and unfilled portion of performance obligations
- 2) Calculation of transaction price
- 3) Allocation of transaction price to filled and unfilled portion of performance obligations

As a result, operating revenue decreased by 387 million yen, financial expenses decreased by 276 million yen, selling and general and administrative expenses decreased by 171 million yen, operating income, ordinary income, and income before income taxes and other adjustments increased by 60 million yen. In addition, the balance of retained earnings at the beginning of the fiscal year increased by 386 million yen.

* Quarterly financial disclosure is not subject to quarterly review by a certified public accountant or an audit firm.

(1) Consolidated Balance Sheet

(Millions of yen)

	As of December 31, 2018	As of March 31, 2019
(Assets)		
Current assets	1,537,370	1,605,652
Cash and deposits	101,805	84,940
Cash segregated as deposits	994,997	1,055,573
Money held in trust	1,300	1,500
Trading products	33,484	22,626
Trading securities and others	856	911
Derivatives	32,627	21,714
Operating investment securities for sale and others	8	8
Trade date accrual	1,388	—
Margin transaction assets	344,016	384,387
Loans on margin transactions	319,016	281,578
Cash collateral pledged for securities borrowing on margin transactions	25,000	102,808
Advances paid	692	188
Cash paid for offering	4,755	3,964
Securities received as collateral *1	229	224
Short-term guarantee deposits	42,320	42,101
Variation margin paid	3,384	1,071
Advance payments	533	774
Prepaid expenses	500	408
Accounts receivable – other	1,944	1,606
Accrued revenues	6,102	6,494
Allowance for doubtful accounts	(92)	(218)
Fixed assets	29,475	31,164
Tangible fixed assets	1,695	1,878
Buildings	412	425
Furniture and fixtures	1,282	1,204
Lease assets	—	248
Intangible fixed assets	25,906	26,713
Goodwill	6,143	5,994
Customer relationships	1,200	1,152
Software	16,605	16,880
Software in progress	1,957	2,371
Lease assets	—	313
Investments and other assets	1,873	2,573
Investment securities	422	511
Long-term loans receivable	253	247
Long-term guarantee deposits	1,209	1,217
Long-term prepaid expenses	36	53
Deferred tax assets	133	105
Others	1,355	2,495
Allowance for doubtful accounts	(1,537)	(2,057)
Total assets	1,566,846	1,636,816

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(Millions of yen)

	As of December 31, 2018	As of March 31, 2019
(Liabilities)		
Current liabilities	1,467,223	1,539,307
Trading products	14,802	6,335
Trading securities and others	0	—
Derivatives	14,801	6,335
Trade date accrual	—	47
Margin transaction liabilities	67,423	140,027
Borrowings on margin transactions	13,688	16,280
Cash received for securities lending on margin transactions	53,735	123,746
Loans payable secured by securities	246,463	195,150
Cash received on debt credit transactions of securities	246,463	195,150
Deposits received	765,602	762,016
Guarantee deposits received *2	285,413	279,878
Accounts for non-received securities and others	36	65
Short term loans payable	82,000	150,000
Advances received	334	229
Accrued revenue	6	0
Lease obligations	—	102
Accounts payable – other	99	251
Accrued expenses	3,497	3,320
Income taxes payable	1,160	1,304
Provision for employees' bonuses	227	439
Provision for directors' bonuses	30	—
Provision for sales promotion expenses	122	135
Other current liabilities	2	2
Fixed liabilities	231	828
Lease obligations	—	526
Net defined benefit liability	55	112
Asset retirement obligations	175	175
Deferred tax liability	—	13
Statutory reserves	3,755	3,755
Reserve for financial products liabilities	3,743	3,743
Reserve for liability for commodities transactions	11	11
Total liabilities	1,471,210	1,543,890
(Net assets)		
Shareholders' equity		
Capital stock	7,495	7,495
Capital surplus	4,511	4,511
Retained earnings	84,094	81,390
Total shareholders' equity	96,101	93,397
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3	1
Foreign currency translation adjustment	(468)	(473)
Total accumulated other comprehensive income	(465)	(471)
Total net assets	95,636	92,926
Total liabilities and net assets	1,566,846	1,636,816

*1: Securities received as collateral for commodity futures transactions (Securities deposited with a Commodity Clearing Organization as clearing margins for transactions by consignors and others).

*2: Includes JPY 229 million securities in the fiscal year ended December 31, 2018 and JPY 224 million securities in three months ended March 31, 2019 received as substitute for clearing margins etc. from consignors and others for commodity futures transactions.

(2) Consolidated Statements of Income

	(Millions of yen)	
	Three months ended June 30, 2018 (April 1 – June 30, 2018)	Three months ended March 31, 2019 (January 1 – March 31, 2019)
Operating revenue	14,619	14,386
Commission received	5,285	4,688
Commission to consignees	3,804	3,420
Commission for underwriting, secondary distribution and solicitation for selling and others for professional Investors	6	4
Fee for offerings, secondary distribution and solicitation for selling and others for professional investors	385	225
Other commissions received	1,090	1,039
Net trading income	3,205	4,730
Operating Investment securities for sales and others	—	(0)
Financial revenue	5,906	4,706
Other operating revenue	221	261
Financial expenses	736	559
Net operating revenue	13,882	13,826
Selling, general, and administrative expenses	8,610	10,490
Trading related expenses	3,974	4,480
Personnel expenses	1,138	1,269
Real estate expenses	451	502
Office expenses	1,311	1,583
Depreciation	1,409	1,621
Taxes and dues	185	202
Goodwill amortization	141	138
Provision for allowance for doubtful accounts	(35)	645
Others	34	47
Operating income	5,272	3,336
Non-operating income	8	7
Non-operating expenses	172	270
Ordinary income	5,108	3,073
Extraordinary gains	18	—
Income before income taxes and other adjustments	5,127	3,073
Income taxes – current	1,410	1,292
Income taxes – deferred	226	(128)
Total income taxes	1,637	1,164
Net income	3,489	1,909
Profit (loss) attributable to owners of parent	3,489	1,909

(3) Consolidated Statements of Comprehensive Income

(Millions of yen)

	Three months ended June 30, 2018 (April 1 – June 30, 2018)	Three months ended March 31, 2019 (January 1 – March 31, 2019)
Net income	3,489	1,909
Other comprehensive income		
Valuation difference on available-for-sale securities	0	(1)
Foreign currency translation adjustment	147	(4)
Total other comprehensive income	147	(6)
Net comprehensive income	3,637	1,902
(Breakdown)		
Comprehensive income attributable to owners of parents	3,637	1,902
Comprehensive income attributable to non-controlling interests	—	—