

April 28, 2020

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 first quarter ended March 31, 2020.

Rakuten Group plans to announce consolidated financial reports for the first quarter ended March 31, 2020, on May 13, 2020 (Wednesday).

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 first quarter ended March 31, 2020

Rakuten Securities, Inc.

Rakuten Securities, Inc. (President: Yuji Kusunoki. Head Office: Setagaya-ku, Tokyo) consolidated financial reports for the first quarter ended March 31, 2020 (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, 2020 (January 1, 2020 to March 31, 2020)

Consolidated Operating Results*

(Millions of yen, rounded down)

	Operating revenue	Net operating revenue	Operating income	Ordinary income	Net income
First quarter ended March 31, 2020	17,262	16,737	3,893	3,884	2,680
First quarter ended March 31, 2019	14,386	13,826	3,336	3,073	1,909

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

(Reference information)

Results for the twelve months ended March 31, 2020 (April 1, 2019 to March 31, 2020)

Consolidated Operating Results

(Millions of yen, rounded down)

	Operating revenue	Net operating revenue	Operating income	Ordinary income	Net income
April 1, 2019 to March 31, 2020	58,932	56,501	11,857	11,069	7,070
April 1, 2018 to March 31, 2019	59,492	56,637	18,810	18,008	12,067

(1) Consolidated Balance Sheet

	(Millions of yen)	
	As of December 31, 2019	As of March 31, 2020
(Assets)		
Current assets	1,845,300	1,848,221
Cash and deposits	103,792	183,684
Cash segregated as deposits	1,242,181	1,250,827
Money held in trust	1,800	1,800
Trading products	26,093	35,900
Trading securities and others	948	1,243
Derivatives	25,145	34,656
Operating investment securities for sale and others	8	8
Trade date accrual	313	790
Margin transaction assets	406,325	297,118
Loans on margin transactions	320,946	230,646
Cash collateral pledged for securities borrowing on margin transactions	85,378	66,472
Advances paid	130	514
Cash paid for offering	4,170	9,426
Securities received as collateral *1	255	213
Short-term guarantee deposits	48,733	56,266
Variation margin paid	1,646	3,969
Advance payments	232	54
Prepaid expenses	451	420
Accounts receivable – other	2,341	2,263
Accrued revenues	7,054	5,132
Allowance for doubtful accounts	(229)	(170)
Fixed assets	30,077	30,355
Tangible fixed assets	1,576	1,484
Buildings	345	318
Furniture and fixtures	1,012	958
Lease assets	218	208
Intangible fixed assets	25,628	25,989
Goodwill	5,572	5,425
Customer relationships	1,008	960
Software	17,202	17,612
Software in progress	1,431	1,597
Lease assets	414	392
Investments and other assets	2,872	2,882
Investment securities	456	408
Long-term loans receivable	269	247
Long-term guarantee deposits	1,291	1,281
Long-term prepaid expenses	41	38
Deferred tax assets	219	197
Others	2,542	2,581
Allowance for doubtful accounts	(1,948)	(1,872)
Total assets	1,875,377	1,878,577

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(Millions of yen)

	As of December 31, 2019	As of March 31, 2020
(Liabilities)		
Current liabilities	1,773,346	1,776,825
Trading products	8,589	12,230
Derivatives	8,589	12,230
Margin transaction liabilities	149,300	115,642
Borrowings on margin transactions	18,057	10,386
Cash received for securities lending on margin transactions	131,243	105,256
Loans payable secured by securities	179,007	182,535
Cash received on debt credit transactions of securities	179,007	182,535
Deposits received	954,814	965,932
Guarantee deposits received *2	316,179	318,871
Accounts for non-received securities and others	24	601
Short term loans payable	160,000	173,000
Advances received	328	895
Accrued revenue	7	—
Lease obligations	123	123
Accounts payable – other	48	56
Accrued expenses	3,921	5,108
Income taxes payable	501	1,149
Provision for employees' bonuses	259	547
Provision for directors' bonuses	30	—
Provision for sales promotion expenses	207	130
Other current liabilities	1	1
Fixed liabilities	996	1,120
Lease obligations	562	532
Net defined benefit liability	325	394
Asset retirement obligations	107	194
Statutory reserves	3,805	3,805
Reserve for financial products liabilities	3,792	3,792
Reserve for liability for commodities transactions	12	12
Total liabilities	1,778,147	1,781,751
(Net assets)		
Shareholders' equity		
Capital stock	7,495	7,495
Capital surplus	4,511	4,511
Retained earnings	85,780	85,461
Total shareholders' equity	97,787	97,468
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1	1
Foreign currency translation adjustment	(528)	(614)
Remeasurements of defined benefit plans	(30)	(29)
Total accumulated other comprehensive income	(557)	(642)
Total net assets	97,229	96,826
Total liabilities and net assets	1,875,377	1,878,577

*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 255 million securities in the fiscal year ended December 31, 2019 and JPY 213 million securities in first quarter ended March 31, 2020 received as substitute for clearing margins etc. from consignors and others for commodity futures transactions.

(2) Consolidated Statements of Income

	(Millions of yen)	
	First quarter ended March 31, 2019 (January 1 – March 31, 2019)	First quarter ended March 31, 2020 (January 1 – March 31, 2020)
Operating revenue	14,386	17,262
Commission received	4,688	6,584
Commission to consignees	3,420	5,152
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	4	8
Fee for offerings, secondary distribution and solicitation for selling and others for professional investors	225	227
Other commissions received	1,039	1,195
Net trading income	4,730	5,538
Operating Investment securities for sales and others	(0)	(0)
Financial revenue	4,706	4,580
Other operating revenue	261	559
Financial expenses	559	525
Net operating revenue	13,826	16,737
Selling, general, and administrative expenses	10,490	12,844
Trading related expenses	4,480	6,476
Personnel expenses	1,269	1,316
Real estate expenses	502	420
Office expenses	1,583	2,568
Depreciation	1,621	1,744
Taxes and dues	202	234
Goodwill amortization	138	138
Provision for allowance for doubtful accounts	645	(84)
Others	47	29
Operating income	3,336	3,893
Non-operating income	7	32
Non-operating expenses	270	41
Ordinary income	3,073	3,884
Income before income taxes and other adjustments	3,073	3,884
Income taxes – current	1,292	1,183
Income taxes – deferred	(128)	20
Total income taxes	1,164	1,203
Net income	1,909	2,680
Profit (loss) attributable to owners of parent	1,909	2,680

(3) Consolidated Statements of Comprehensive Income

(Millions of yen)

	First quarter ended March 31, 2019 (January 1 – March 31, 2019)	First quarter ended March 31, 2020 (January 1 – March 31, 2020)
Net income	1,909	2,680
Other comprehensive income		
Valuation difference on available-for-sale securities	(1)	0
Foreign currency translation adjustment	(4)	(85)
Remeasurements of defined benefit plans	—	1
Total other comprehensive income	(6)	(84)
Net comprehensive income	1,902	2,596
(Breakdown)		
Comprehensive income attributable to owners of parents	1,902	2,596
Comprehensive income attributable to non-controlling interests	—	—