

October 21, 2016

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 six months ended September 30, 2016.

Rakuten Group plans to announce consolidated financial reports for the nine months ended September 30, 2016, on November 10, 2016 (Thursday).

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.



October 21, 2016

Financial Reports For the six months ended September 30, 2016

Rakuten Securities, Inc.

Rakuten Securities, Inc. (President: Yuji Kusunoki. Head Office: Setagaya-ku, Tokyo) consolidated financial reports for the second quarter ended September 30, 2016 (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 second quarter ended September 30, 2016 (From April 1, 2016 to September 30, 2016)

Consolidated Operating Results

(Millions of yen, rounded down)

	Operating revenue	Net operating revenue	Operating income	Ordinary income	Net income
Six months ended September 30, 2016	23,024	21,980	8,610	8,363	6,805
Six months ended September 30, 2015	27,309	26,045	11,770	11,834	7,000

(1) Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2016	As of September 30, 2016
(Assets)		
Current assets	848,412	840,235
Cash and deposits	69,173	68,328
Cash segregated as deposits	445,926	461,781
Money held in trust	1,000	1,000
Trading products	22,945	23,492
Trading securities and others	1,301	1,069
Derivatives	21,643	22,422
Operating investment securities for sale and others	12	12
Trade date accrual	71	26
Margin transaction assets	270,469	249,256
Loans on margin transactions	259,419	232,205
Cash collateral pledged for securities borrowing on margin transactions	11,050	17,050
Loans secured by securities	—	18
Cash collateral pledged for securities borrowed	—	18
Advances paid	512	496
Cash paid for offering	2,469	2,038
Securities received as collateral *1	917	330
Short-term guarantee deposits	25,804	25,486
Variation margin paid	2,906	1,604
Short-term loan receivables	110	109
Advance payments	371	49
Prepaid expenses	243	444
Accounts receivable – other	822	928
Accrued corporate taxes and others	11	9
Accrued revenues	4,610	4,883
Deferred tax assets	528	387
Allowance for doubtful accounts	(495)	(450)

(Millions of yen)

	As of March 31, 2016	As of September 30, 2016
Fixed assets	24,401	25,214
Tangible fixed assets	1,556	1,472
Buildings	499	484
Furniture and fixtures	1,036	987
Construction in progress	20	—
Intangible fixed assets	21,785	22,648
Goodwill	7,669	7,384
Customer relationships	1,728	1,632
Software	11,827	13,307
Software in progress	559	322
Investments and other assets	1,060	1,093
Investment securities	132	104
Shares of subsidiaries and associates	—	59
Long-term loans receivable	221	326
Long-term guarantee deposits	800	803
Long-term prepaid expenses	17	14
Others	1,153	1,012
Allowance for doubtful accounts	(1,265)	(1,227)
Total assets	872,814	865,450

(Millions of yen)

	As of March 31, 2016	As of September 30, 2016
(Liabilities)		
Current liabilities	787,381	779,809
Trading products	6,952	5,199
Derivatives	6,952	5,199
Margin transaction liabilities	50,482	63,055
Borrowings on margin transactions	6,149	6,288
Cash received for securities lending on margin transactions	44,332	56,766
Loans payable secured by securities	130,932	134,163
Cash received on debt credit transactions of securities	130,932	134,163
Deposits received	282,872	309,075
Guarantee deposits received *2	198,558	192,783
Accounts for non-received securities and others	13	5
Short term loans payable	108,921	70,139
Advances received	101	116
Accrued revenue	1	6
Accounts payable – other	206	219
Accrued expenses	2,458	1,997
Income taxes payable	5,397	2,543
Provision for employees' bonuses	419	419
Provision for directors' bonuses	—	20
Provision for sales promotion expenses	36	47
Other current liabilities	27	15
Fixed liabilities	536	431
Asset retirement obligations	175	175
Deferred tax liabilities	269	256
Other fixed liabilities	90	—
Statutory reserves	4,473	3,430
Reserve for financial products liabilities	4,445	3,402
Reserve for liability for commodities transactions	28	28
Total liabilities	792,391	783,672

(Millions of yen)

	As of March 31, 2016	As of September 30, 2016
(Net assets)		
Shareholders' equity		
Capital stock	7,495	7,495
Capital surplus	4,511	4,511
Retained earnings	68,824	70,630
Total shareholders' equity	80,831	82,637
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7	2
Foreign currency translation adjustment	(414)	(861)
Total accumulated other comprehensive income	(407)	(858)
Total net assets	80,423	81,778
Total liabilities and net assets	872,814	865,450

Notes:

*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 917 million securities in the fiscal year ended March 31, 2016 and JPY 330 million securities in six months ended September 30, 2016 received as substitute for clearing margins etc. from consignors and others for commodity futures transactions.

(2) Consolidated Statements of Income

(Millions of yen)

	Six months ended September 30, 2015 (April 1 – September 30, 2015)	Six months ended September 30, 2016 (April 1 – September 30, 2016)
Operating revenue	27,309	23,024
Commission received	13,370	10,386
Commission to consignees	10,077	7,758
Commission for underwriting, secondary distribution and solicitation for selling and others for professional Investors	0	0
Fee for offerings, secondary distribution and solicitation for selling and others for professional investors	1,123	639
Other commissions received	2,169	1,988
Net trading income	5,028	4,919
Net gain on trading of investment securities for sale	(0)	(0)
Financial revenue	8,585	7,523
Other operating revenue	324	195
Financial expenses	1,263	1,043
Net operating revenue	26,045	21,980
Selling, general, and administrative expenses	14,274	13,370
Trading related expenses	5,952	5,319
Personnel expenses	2,070	1,932
Real estate expenses	863	879
Office expenses	2,382	2,316
Depreciation	2,168	2,338
Taxes and dues	294	312
Goodwill amortization	275	273
Provision for allowance for doubtful accounts	200	(69)
Others	66	67
Operating income	11,770	8,610
Non-operating income	93	5
Non-operating expenses	29	252
Ordinary income	11,834	8,363

(Millions of yen)

	Six months ended September 30, 2015 (April 1 – September 30, 2015)	Six months ended September 30, 2016 (April 1 – September 30, 2016)
Extraordinary gains	—	1,042
Extraordinary losses	800	130
Income before income taxes and other adjustments	11,033	9,275
Income taxes – current	4,103	2,351
Income taxes – deferred	(70)	118
Total income taxes	4,033	2,469
Net income	7,000	6,805
Profit (loss) attributable to owners of parent	7,000	6,805

(3) Consolidated Statements of Comprehensive Income

(Millions of yen)

	Six months ended September 30, 2015 (April 1 – September 30, 2015)	Six months ended September 30, 2016 (April 1 – September 30, 2016)
Net income	7,000	6,805
Other comprehensive income		
Valuation difference on available-for-sale securities	(30)	(4)
Foreign currency translation adjustment	—	(446)
Total other comprehensive income	(30)	(451)
Net comprehensive income	6,969	6,354
(Breakdown)		
Comprehensive income attributable to owners of parents	6,969	6,354
Comprehensive income attributable to non-controlling interests	—	—