

January 24, 2017

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 nine months ended December 31, 2016.

Rakuten Group plans to announce consolidated financial reports for the twelve months ended December 31, 2016, on February 13, 2017 (Monday).

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.



January 24, 2017

Financial Reports For the nine months ended December 31, 2016

Rakuten Securities, Inc.

Rakuten Securities, Inc. (President: Yuji Kusunoki. Head Office: Setagaya-ku, Tokyo) consolidated financial reports for the third quarter ended December 31, 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 third quarter ended December 31, 2016 (From April 1, 2016 to December 31, 2016)

Consolidated Operating Results

(Millions of yen, rounded down)

	Operating revenue	Net operating revenue	Operating income	Ordinary income	Net income
Nine months ended December 31, 2016	34,894	33,123	12,830	12,596	9,672
Nine months ended December 31, 2015	39,642	37,819	16,926	17,002	10,335

(1) Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2016	As of December 31, 2016
(Assets)		
Current assets	848,412	925,795
Cash and deposits	69,173	63,265
Cash segregated as deposits	445,926	535,854
Money held in trust	1,000	1,000
Trading products	22,945	19,783
Trading securities and others	1,301	1,050
Derivatives	21,643	18,732
Operating investment securities for sale and others	12	8
Trade date accrual	71	199
Margin transaction assets	270,469	265,898
Loans on margin transactions	259,419	234,900
Cash collateral pledged for securities borrowing on margin transactions	11,050	30,997
Loans secured by securities	—	4
Cash collateral pledged for securities borrowed	—	4
Advances paid	512	529
Cash paid for offering	2,469	3,951
Securities received as collateral *1	917	333
Short-term guarantee deposits	25,804	26,279
Variation margin paid	2,906	1,968
Short-term loan receivables	110	191
Advance payments	371	6
Prepaid expenses	243	356
Accounts receivable – other	822	1,082
Accrued corporate taxes and others	11	491
Accrued revenues	4,610	4,902
Deferred tax assets	528	147
Allowance for doubtful accounts	(495)	(457)

(Millions of yen)

	As of March 31, 2016	As of December 31, 2016
Fixed assets	24,401	25,762
Tangible fixed assets	1,556	1,394
Buildings	499	474
Furniture and fixtures	1,036	920
Construction in progress	20	—
Intangible fixed assets	21,785	23,123
Goodwill	7,669	7,478
Customer relationships	1,728	1,584
Software	11,827	13,579
Software in progress	559	480
Investments and other assets	1,060	1,244
Investment securities	132	267
Long-term loans receivable	221	310
Long-term guarantee deposits	800	863
Long-term prepaid expenses	17	12
Others	1,153	979
Allowance for doubtful accounts	(1,265)	(1,188)
Total assets	872,814	951,558

(Millions of yen)

	As of March 31, 2016	As of December 31, 2016
(Liabilities)		
Current liabilities	787,381	862,414
Trading products	6,952	7,033
Derivatives	6,952	7,033
Margin transaction liabilities	50,482	77,789
Borrowings on margin transactions	6,149	7,768
Cash received for securities lending on margin transactions	44,332	70,021
Loans payable secured by securities	130,932	124,366
Cash received on debt credit transactions of securities	130,932	124,366
Deposits received	282,872	381,107
Guarantee deposits received *2	198,558	196,658
Accounts for non-received securities and others	13	35
Short term loans payable	108,921	71,995
Advances received	101	473
Accrued revenue	1	3
Accounts payable – other	206	139
Accrued expenses	2,458	2,469
Income taxes payable	5,397	—
Provision for employees' bonuses	419	240
Provision for directors' bonuses	—	30
Provision for sales promotion expenses	36	59
Other current liabilities	27	10
Fixed liabilities	536	465
Asset retirement obligations	175	175
Deferred tax liabilities	269	290
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	866,310

(Millions of yen)

	As of March 31, 2016	As of December 31, 2016
(Net assets)		
Shareholders' equity		
Capital stock	7,495	7,495
Capital surplus	4,511	4,511
Retained earnings	68,824	73,496
Total shareholders' equity	80,831	85,503
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7	2
Foreign currency translation adjustment	(414)	(258)
Total accumulated other comprehensive income	(407)	(255)
Total net assets	80,423	85,248
Total liabilities and net assets	872,814	951,558

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 333 million securities in nine months ended December 31, 2016 received as substitute for clearing margins etc. from consignors and others for commodity futures transactions.

(2) Consolidated Statements of Income

(Millions of yen)

	Nine months ended December 31, 2015 (April 1 – December 31, 2015)	Nine months ended December 31, 2016 (April 1 – December 31, 2016)
Operating revenue	39,642	34,894
Commission received	19,182	15,477
Commission to consignees	14,368	11,628
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	1,540	979
Other commissions received	3,273	2,869
Net trading income	7,499	7,452
Net gain on trading of investment securities for sale	(0)	(3)
Financial revenue	12,533	11,629
Other operating revenue	426	339
Financial expenses	1,822	1,770
Net operating revenue	37,819	33,123
Selling, general, and administrative expenses	20,893	20,292
Trading related expenses	8,642	8,031
Personnel expenses	3,007	2,911
Real estate expenses	1,292	1,284
Office expenses	3,647	3,556
Depreciation	3,222	3,594
Taxes and dues	427	461
Goodwill amortization	360	414
Provision for allowance for doubtful accounts	200	(70)
Others	92	109
Operating income	16,926	12,830
Non-operating income	102	11
Non-operating expenses	26	246
Ordinary income	17,002	12,596

(Millions of yen)

	Nine months ended December 31, 2015 (April 1 – December 31, 2015)	Nine months ended December 31, 2016 (April 1 – December 31, 2016)
Extraordinary gains	0	1,042
Extraordinary losses	938	130
Income before income taxes and other adjustments	16,064	13,508
Income taxes – current	5,608	3,432
Income taxes – deferred	119	403
Total income taxes	5,728	3,836
Net income	10,335	9,672
Profit (loss) attributable to owners of parent	10,335	9,672

(3) Consolidated Statements of Comprehensive Income

(Millions of yen)

	Nine months ended December 31, 2015 (April 1 – December 31, 2015)	Nine months ended December 31, 2016 (April 1 – December 31, 2016)
Net income	10,335	9,672
Other comprehensive income		
Valuation difference on available-for-sale securities	118	(4)
Foreign currency translation adjustment	(113)	156
Total other comprehensive income	4	152
Net comprehensive income	10,340	9,824
(Breakdown)		
Comprehensive income attributable to owners of parents	10,340	9,824
Comprehensive income attributable to non-controlling interests	—	—