

July 25, 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 three months ended June 30, 2017.

Rakuten Group plans to announce consolidated financial reports for the six months ended June 30, 2017, on August 7, 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.

Financial Reports For the three months ended June 30, 2017

Rakuten Securities, Inc.

Rakuten Securities, Inc. (President: Yuji Kusunoki. Head Office: Setagaya-ku, Tokyo) consolidated financial reports for the first quarter ended June 30, 2017 (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 June 30, 2017(From April 1, 2017 to June 30, 2017)

Consolidated Operating Results*

(Millions of yen, rounded down)

	Operating revenue	Net operating revenue	Operating income	Ordinary income	Net income
Three months ended June 30, 2017	12,521	11,816	4,522	4,376	3,172
Three months ended June 30, 2016	12,405	11,919	5,155	5,022	4,610

*Pre-audited

(1) Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2017	As of June 30, 2017
(Assets)		
Current assets	965,248	1,018,048
Cash and deposits	81,434	70,173
Cash segregated as deposits	507,070	553,475
Money held in trust	1,000	1,000
Trading products	20,660	19,764
Trading securities and others	1,112	1,081
Derivatives	19,547	18,682
Operating investment securities for sale and others	8	8
Trade date accrual	99	209
Margin transaction assets	314,008	329,337
Loans on margin transactions	282,270	293,453
Cash collateral pledged for securities borrowing on margin transactions	31,737	35,883
Advances paid	173	189
Cash paid for offering	2,749	3,242
Securities received as collateral *1	338	290
Short-term guarantee deposits	28,830	31,392
Variation margin paid	1,503	1,812
Short-term loan receivables	96	102
Advance payments	272	25
Prepaid expenses	282	423
Accounts receivable – other	1,067	1,095
Accrued corporate taxes and others	8	13
Accrued revenues	5,481	5,286
Deferred tax assets	253	288
Allowance for doubtful accounts	(92)	(83)

(Millions of yen)

	As of March 31, 2017	As of June 30, 2017
Fixed assets	25,402	25,427
Tangible fixed assets	1,405	1,389
Buildings	500	497
Furniture and fixtures	904	891
Intangible fixed assets	22,770	22,744
Goodwill	7,278	7,157
Customer relationships	1,536	1,488
Software	13,226	13,382
Software in progress	728	715
Investments and other assets	1,226	1,293
Investment securities	272	406
Long-term loans receivable	301	285
Long-term guarantee deposits	843	739
Long-term prepaid expenses	15	62
Others	1,346	1,343
Allowance for doubtful accounts	(1,553)	(1,542)
Total assets	990,650	1,043,475

(Millions of yen)

	As of March 31, 2017	As of June 30, 2017
(Liabilities)		
Current liabilities	899,420	956,785
Trading products	6,116	6,407
Derivatives	6,116	6,407
Margin transaction liabilities	80,690	96,088
Borrowings on margin transactions	9,542	19,845
Cash received for securities lending on margin transactions	71,148	76,242
Loans payable secured by securities	148,842	157,639
Cash received on debt credit transactions of securities	148,842	157,639
Deposits received	342,639	392,821
Guarantee deposits received *2	200,165	208,388
Accounts for non-received securities and others	23	17
Short term loans payable	117,000	83,000
Advances received	148	429
Accrued revenue	9	8
Accounts payable – other	75	7,798
Accrued expenses	2,438	2,406
Income taxes payable	868	1,509
Provision for employees' bonuses	363	226
Provision for directors' bonuses	-	10
Provision for sales promotion expenses	31	31
Other current liabilities	8	1
Fixed liabilities	370	391
Asset retirement obligations	185	185
Deferred tax liabilities	185	205
Statutory reserves	3,423	3,197
Reserve for financial products liabilities	3,402	3,176
Reserve for liability for commodities transactions	21	21
Total liabilities	903,214	960,374

(Millions of yen)

	As of March 31, 2017	As of June 30, 2017
(Net assets)		
Shareholders' equity		
Capital stock	7,495	7,495
Capital surplus	4,511	4,511
Retained earnings	75,834	71,507
Total shareholders' equity	87,841	83,514
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8	8
Foreign currency translation adjustment	(414)	(421)
Total accumulated other comprehensive income	(406)	(412)
Total net assets	87,435	83,101
Total liabilities and net assets	990,650	1,043,475

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 338 million securities in the fiscal year ended March 31, 2017 and JPY 290 million securities in three months ended June 30, 2017 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, 2016 (April 1 – June 30, 2016)	Three months ended June 30, 2017 (April 1 – June 30, 2017)
Operating revenue	12,405	12,521
Commission received	5,618	5,518
Commission to consignees	4,270	4,220
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	340	339
Other commissions received	1,007	958
Net trading income	2,884	2,263
Financial revenue	3,821	4,592
Other operating revenue	81	146
Financial expenses	486	704
Net operating revenue	11,919	11,816
Selling, general, and administrative expenses	6,763	7,294
Trading related expenses	2,696	3,091
Personnel expenses	957	992
Real estate expenses	459	412
Office expenses	1,182	1,186
Depreciation	1,140	1,271
Taxes and dues	166	166
Goodwill amortization	137	144
Provision for allowance for doubtful accounts	(16)	(19)
Others	40	47
Operating income	5,155	4,522
Non-operating income	3	9
Non-operating expenses	136	155
Ordinary income	5,022	4,376

(Millions of yen)

	Three months ended June 30, 2016 (April 1 – June 30, 2016)	Three months ended June 30, 2017 (April 1 – June 30, 2017)
Extraordinary gains	1,042	225
Extraordinary losses	-	5
Income before income taxes and other adjustments	6,064	4,597
Income taxes – current	1,185	1,439
Income taxes – deferred	268	(14)
Total income taxes	1,454	1,425
Net income	4,610	3,172
Profit (loss) attributable to owners of parent	4,610	3,172

(3) Consolidated Statements of Comprehensive Income

(Millions of yen)

	Three months ended June 30, 2016 (April 1 – June 30, 2016)	Three months ended June 30, 2017 (April 1 – June 30, 2017)
Net income	4,610	3,172
Other comprehensive income		
Valuation difference on available-for-sale securities	0	0
Foreign currency translation adjustment	(373)	(7)
Total other comprehensive income	(374)	(6)
Net comprehensive income	4,236	3,165
(Breakdown)		
Comprehensive income attributable to owners of parents	4,236	3,165
Comprehensive income attributable to non-controlling interests	-	-