

January 29, 2018

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, 2017.

Rakuten Group plans to announce consolidated financial reports for the fiscal year ended December 31, 2017, on February 13, 2018 (Tuesday).

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 nine months ended December 31, 2017

Rakuten Securities, Inc.

Rakuten Securities, Inc. (President: Yuji Kusunoki. Head Office: Setagaya-ku, Tokyo) consolidated financial reports for the Third quarter ended December 31, 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 Third quarter ended December 31, 2017 (From April 1, 2017 to December 31, 2017)

Consolidated Operating Results*

(Millions of yen, rounded down)

	Operating revenue	Net operating revenue	Operating income	Ordinary income	Net income
Nine months ended December 31, 2017	40,452	37,957	14,926	14,525	9,933
Nine months ended December 31, 2016	34,894	33,123	12,830	12,596	9,672

*Pre-audit

(1) Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2017	As of December 31, 2017
(Assets)		
Current assets	965,248	1,651,868
Cash and deposits	81,434	69,534
Cash segregated as deposits	507,070	1,125,493
Money held in trust	1,000	1,000
Trading products	20,660	17,984
Trading securities and others	1,112	792
Derivatives	19,547	17,191
Operating investment securities for sale and others	8	8
Trade date accrual	99	504
Margin transaction assets	314,008	390,727
Loans on margin transactions	282,270	356,737
Cash collateral pledged for securities borrowing on margin transactions	31,737	33,990
Advances paid	173	141
Cash paid for offering	2,749	7,386
Securities received as collateral *1	338	296
Short-term guarantee deposits	28,830	29,994
Variation margin paid	1,503	1,088
Short-term loan receivables	96	—
Advance payments	272	63
Prepaid expenses	282	393
Accounts receivable – other	1,067	1,051
Accrued corporate taxes and others	8	—
Accrued revenues	5,481	5,935
Deferred tax assets	253	349
Allowance for doubtful accounts	(92)	(85)

(Millions of yen)

	As of March 31, 2017	As of December 31, 2017
Fixed assets	25,402	26,281
Tangible fixed assets	1,405	1,259
Buildings	500	456
Furniture and fixtures	904	802
Intangible fixed assets	22,770	23,578
Goodwill	7,278	6,891
Customer relationships	1,536	1,392
Software	13,226	13,745
Software in progress	728	1,548
Investments and other assets	1,226	1,443
Investment securities	272	409
Long-term loans receivable	301	268
Long-term guarantee deposits	843	926
Long-term prepaid expenses	15	26
Others	1,346	1,336
Allowance for doubtful accounts	(1,553)	(1,524)
Total assets	990,650	1,678,150

(Millions of yen)

	As of March 31, 2017	As of December 31, 2017
(Liabilities)		
Current liabilities	899,420	1,584,677
Trading products	6,116	5,382
Trading securities and others	—	7
Derivatives	6,116	5,375
Margin transaction liabilities	80,690	96,220
Borrowings on margin transactions	9,542	21,065
Cash received for securities lending on margin transitions	71,148	75,155
Loans payable secured by securities	148,842	204,336
Cash received on debt credit transactions of securities	148,842	204,336
Deposits received	342,639	947,636
Guarantee deposits received *2	200,165	216,863
Accounts for non-received securities and others	23	5
Short term loans payable	117,000	108,000
Advances received	148	211
Accrued revenue	9	2
Accounts payable – other	75	88
Accrued expenses	2,438	3,334
Income taxes payable	868	2,246
Provision for employees' bonuses	363	267
Provision for directors' bonuses	—	30
Provision for sales promotion expenses	31	49
Other current liabilities	8	1
Fixed liabilities	370	358
Asset retirement obligations	185	175
Deferred tax liabilities	185	182
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	1,588,233

(Millions of yen)

	As of March 31, 2017	As of December 31, 2017
(Net assets)		
Shareholders' equity		
Capital stock	7,495	7,495
Capital surplus	4,511	4,511
Retained earnings	75,834	78,268
Total shareholders' equity	87,841	90,275
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8	19
Foreign currency translation adjustment	(414)	(378)
Total accumulated other comprehensive income	(406)	(358)
Total net assets	87,435	89,916
Total liabilities and net assets	990,650	1,678,150

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 296 million securities in nine months ended December 31, 2017 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, 2016 (April 1 – December 31, 2016)	Nine months ended December 31, 2017 (April 1 – December 31, 2017)
Operating revenue	34,894	40,452
Commission received	15,477	17,405
Commission to consignees	11,628	13,210
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	979	1,249
Other commissions received	2,869	2,945
Net trading income	7,452	6,652
Net gain (loss) on trading of investment securities for sale	(3)	3
Financial revenue	11,629	15,848
Other operating revenue	339	542
Financial expenses	1,770	2,494
Net operating revenue	33,123	37,957
Selling, general, and administrative expenses	20,292	23,031
Trading related expenses	8,031	10,063
Personnel expenses	2,911	3,046
Real estate expenses	1,284	1,230
Office expenses	3,556	3,723
Depreciation	3,594	3,912
Taxes and dues	461	522
Goodwill amortization	414	428
Provision for allowance for doubtful accounts	(70)	(23)
Others	109	129
Operating income	12,830	14,926
Non-operating income	11	34
Non-operating expenses	246	435
Ordinary income	12,596	14,525

(Millions of yen)

	Nine months ended December 31, 2016 (April 1 – December 31, 2016)	Nine months ended December 31, 2017 (April 1 – December 31, 2017)
Extraordinary gains	1,042	225
Extraordinary losses	130	147
Income before income taxes and other adjustments	13,508	14,603
Income taxes – current	3,432	4,772
Income taxes – deferred	403	(102)
Total income taxes	3,836	4,669
Net income	9,672	9,933
Profit (loss) attributable to owners of parent	9,672	9,933

(3) Consolidated Statements of Comprehensive Income

(Millions of yen)

	Nine months ended December 31, 2016 (April 1 – December 31, 2016)	Nine months ended December 31, 2017 (April 1 – December 31, 2017)
Net income	9,672	9,933
Other comprehensive income		
Valuation difference on available-for-sale securities	(4)	11
Foreign currency translation adjustment	156	35
Total other comprehensive income	152	47
Net comprehensive income	9,824	9,980
(Breakdown)		
Comprehensive income attributable to owners of parents	9,824	9,980
Comprehensive income attributable to non-controlling interests	—	—