

July 24, 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 three months ended June 30, 2018.

Rakuten Group plans to announce consolidated financial reports for the six months ended June 30, 2018, on August 6, 2018 (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, 2018

Rakuten Securities, Inc.

Rakuten Securities, Inc. (President: Yuji Kusunoki. Head Office: Setagaya-ku, Tokyo) consolidated financial reports for the first quarter ended June 30, 2018 (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, 2018 (From April 1, 2018 to June 30, 2018)

### Consolidated Operating Results\*

(Millions of yen, rounded down)

	Operating revenue	Net operating revenue	Operating income	Ordinary income	Net income
Three months ended June 30, 2018	14,619	13,882	5,272	5,108	3,489
Three months ended June 30, 2017	12,521	11,816	4,522	4,376	3,172

(Additional information)

(Change in accounting period)

Rakuten Securities, Inc. at the Ordinary General Meeting of Shareholders held on June 26, 2018, resolved to change its accounting period (closing date) from March 31 to December 31, and made a partial amendment to the company's articles of incorporation.

(Implementation Guidance on Tax Effect Accounting)

Rakuten Securities, Inc. began application of the Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28, revised on February 16, 2018) from the beginning of this quarter. Under these revised accounting standards, the company classifies deferred tax assets as investments and other assets, and deferred tax liabilities as fixed liabilities.

\*Previous fiscal year results have been reclassified to reflect this change.

The information provided in this notice is pre-audit.

## (1) Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2018	As of June 30, 2018
(Assets)		
Current assets	1,580,566	1,586,209
Cash and deposits	97,718	70,100
Cash segregated as deposits	968,988	1,025,440
Money held in trust	1,000	1,000
Trading products	28,290	28,606
Trading securities and others	869	1,124
Derivatives	27,421	27,482
Operating investment securities for sale and others	8	8
Trade date accrual	40	—
Margin transaction assets	440,371	416,013
Loans on margin transactions	401,115	383,354
Cash collateral pledged for securities borrowing on margin transactions	39,255	32,658
Advances paid	180	173
Cash paid for offering	3,470	3,922
Securities received as collateral *1	296	303
Short-term guarantee deposits	29,753	28,692
Variation margin paid	2,123	2,427
Advance payments	644	1,067
Prepaid expenses	359	433
Accounts receivable – other	1,297	1,728
Accrued revenues	6,153	6,388
Allowance for doubtful accounts	(130)	(96)
Fixed assets	27,413	28,000
Tangible fixed assets	1,273	1,561
Buildings	443	433
Furniture and fixtures	829	1,128
Intangible fixed assets	24,387	24,816
Goodwill	6,648	6,562
Customer relationships	1,344	1,296
Software	14,078	13,680
Software in progress	2,316	3,276
Investments and other assets	1,752	1,622
Investment securities	367	438
Long-term loans receivable	263	277
Long-term guarantee deposits	923	925
Long-term prepaid expenses	37	43
Deferred tax assets	347	124
Others	1,395	1,366
Allowance for doubtful accounts	(1,582)	(1,553)
Total assets	1,607,980	1,614,209

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(Millions of yen)

	As of March 31, 2018	As of June 30, 2018
(Liabilities)		
Current liabilities	1,511,191	1,521,302
Trading products	5,539	8,690
Trading securities and others	4	11
Derivatives	5,534	8,679
Trade date accrual	—	237
Margin transaction liabilities	83,971	90,766
Borrowings on margin transactions	16,604	17,687
Cash received for securities lending on margin transactions	67,366	73,079
Loans payable secured by securities	261,304	203,693
Cash received on debt credit transactions of securities	261,304	203,693
Deposits received	772,859	831,940
Guarantee deposits received *2	224,190	231,057
Accounts for non-received securities and others	29	49
Short term loans payable	155,000	150,000
Advances received	224	227
Accrued revenue	1	1
Accounts payable – other	113	38
Accrued expenses	3,129	2,817
Income taxes payable	4,232	1,437
Provision for employees' bonuses	520	253
Provision for directors' bonuses	—	10
Provision for sales promotion expenses	72	79
Other current liabilities	2	2
Fixed liabilities	175	175
Asset retirement obligations	175	175
Statutory reserves	3,777	3,758
Reserve for financial products liabilities	3,762	3,743
Reserve for liability for commodities transactions	15	15
<b>Total liabilities</b>	<b>1,515,144</b>	<b>1,525,236</b>
(Net assets)		
Shareholders' equity		
Capital stock	7,495	7,495
Capital surplus	4,511	4,511
Retained earnings	81,436	77,426
Total shareholders' equity	93,443	89,433
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4	4
Foreign currency translation adjustment	(612)	(464)
Total accumulated other comprehensive income	(607)	(459)
<b>Total net assets</b>	<b>92,836</b>	<b>88,973</b>
<b>Total liabilities and net assets</b>	<b>1,607,980</b>	<b>1,614,209</b>

\*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 296 million securities in the fiscal year ended March 31, 2018 and JPY 303 million securities in three months ended June 30, 2018 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, 2017 (April 1 – June 30, 2017)	Three months ended June 30, 2018 (April 1 – June 30, 2018)
Operating revenue	12,521	14,619
Commission received	5,518	5,285
Commission to consignees	4,220	3,804
Commission for underwriting, secondary distribution and solicitation for selling and others for professional Investors	0	6
Fee for offerings, secondary distribution and solicitation for selling and others for professional investors	339	385
Other commissions received	958	1,090
Net trading income	2,263	3,205
Financial revenue	4,592	5,906
Other operating revenue	146	221
Financial expenses	704	736
Net operating revenue	11,816	13,882
Selling, general, and administrative expenses	7,294	8,610
Trading related expenses	3,091	3,974
Personnel expenses	992	1,138
Real estate expenses	412	451
Office expenses	1,186	1,311
Depreciation	1,271	1,409
Taxes and dues	166	185
Goodwill amortization	144	141
Provision for allowance for doubtful accounts	(19)	(35)
Others	47	34
Operating income	4,522	5,272
Non-operating income	9	8
Non-operating expenses	155	172
Ordinary income	4,376	5,108
Extraordinary gains	225	18
Extraordinary losses	5	—
Income before income taxes and other adjustments	4,597	5,127
Income taxes – current	1,439	1,410
Income taxes – deferred	(14)	226
Total income taxes	1,425	1,637
Net income	3,172	3,489
Profit (loss) attributable to owners of parent	3,172	3,489

## (3) Consolidated Statements of Comprehensive Income

(Millions of yen)

	Three months ended June 30, 2017 (April 1 – June 30, 2017)	Three months ended June 30, 2018 (April 1 – June 30, 2018)
Net income	3,172	3,489
Other comprehensive income		
Valuation difference on available-for-sale securities	0	0
Foreign currency translation adjustment	(7)	147
Total other comprehensive income	(6)	147
Net comprehensive income	3,165	3,637
(Breakdown)		
Comprehensive income attributable to owners of parents	3,165	3,637
Comprehensive income attributable to non-controlling interests	—	—