

October 23, 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 six months ended September 30, 2018.

Rakuten Group plans to announce consolidated financial reports for the nine months ended September 30, 2018, on November 8, 2018 (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.

Financial Reports For the six months ended September 30, 2018

Rakuten Securities, Inc.

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

Consolidated Operating Results*

(Millions of yen, rounded down)

| | Operating revenue | Net operating revenue | Operating income | Ordinary income | Net income |
|-------------------------------------|-------------------|-----------------------|------------------|-----------------|------------|
| Six months ended September 30, 2018 | 29,539 | 28,008 | 10,382 | 10,079 | 6,976 |
| Six months ended September 30, 2017 | 25,287 | 23,821 | 8,931 | 8,689 | 6,075 |

(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 September 30, 2018 |
|---|----------------------------|--------------------------------|
| (Assets) | | |
| Current assets | 1,580,566 | 1,668,965 |
| Cash and deposits | 97,718 | 109,007 |
| Cash segregated as deposits | 968,988 | 1,078,105 |
| Money held in trust | 1,000 | 1,300 |
| Trading products | 28,290 | 24,514 |
| Trading securities and others | 869 | 891 |
| Derivatives | 27,421 | 23,622 |
| Operating investment securities for sale and others | 8 | 8 |
| Trade date accrual | 40 | — |
| Margin transaction assets | 440,371 | 400,799 |
| Loans on margin transactions | 401,115 | 336,361 |
| Cash collateral pledged for securities borrowing on margin transactions | 39,255 | 64,438 |
| Advances paid | 180 | 152 |
| Cash paid for offering | 3,470 | 5,255 |
| Securities received as collateral *1 | 296 | 223 |
| Short-term guarantee deposits | 29,753 | 38,220 |
| Variation margin paid | 2,123 | 2,201 |
| Advance payments | 644 | 24 |
| Prepaid expenses | 359 | 604 |
| Accounts receivable – other | 1,297 | 1,861 |
| Accrued revenues | 6,153 | 6,783 |
| Allowance for doubtful accounts | (130) | (97) |
| Fixed assets | 27,413 | 29,340 |
| Tangible fixed assets | 1,273 | 1,770 |
| Buildings | 443 | 422 |
| Furniture and fixtures | 829 | 1,348 |
| Intangible fixed assets | 24,387 | 25,409 |
| Goodwill | 6,648 | 6,460 |
| Customer relationships | 1,344 | 1,248 |
| Software | 14,078 | 14,927 |
| Software in progress | 2,316 | 2,773 |
| Investments and other assets | 1,752 | 2,160 |
| Investment securities | 367 | 506 |
| Long-term loans receivable | 263 | 259 |
| Long-term guarantee deposits | 923 | 1,244 |
| Long-term prepaid expenses | 37 | 47 |
| Deferred tax assets | 347 | 287 |
| Others | 1,395 | 1,351 |
| Allowance for doubtful accounts | (1,582) | (1,535) |
| Total assets | 1,607,980 | 1,698,305 |

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(Millions of yen)

| | As of March 31, 2018 | As of September 30, 2018 |
|---|----------------------------|--------------------------------|
| (Liabilities) | | |
| Current liabilities | 1,511,191 | 1,601,799 |
| Trading products | 5,539 | 7,387 |
| Trading securities and others | 4 | — |
| Derivatives | 5,534 | 7,387 |
| Trade date accrual | — | 24 |
| Margin transaction liabilities | 83,971 | 116,712 |
| Borrowings on margin transactions | 16,604 | 16,648 |
| Cash received for securities lending on margin transactions | 67,366 | 100,064 |
| Loans payable secured by securities | 261,304 | 244,315 |
| Cash received on debt credit transactions of securities | 261,304 | 244,315 |
| Deposits received | 772,859 | 823,203 |
| Guarantee deposits received *2 | 224,190 | 275,694 |
| Accounts for non-received securities and others | 29 | 28 |
| Short term loans payable | 155,000 | 127,000 |
| Advances received | 224 | 416 |
| Accrued revenue | 1 | 3 |
| Accounts payable – other | 113 | 152 |
| Accrued expenses | 3,129 | 3,102 |
| Income taxes payable | 4,232 | 3,165 |
| Provision for employees' bonuses | 520 | 479 |
| Provision for directors' bonuses | — | 20 |
| Provision for sales promotion expenses | 72 | 88 |
| Other current liabilities | 2 | 3 |
| 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 |
| Total liabilities | 1,515,144 | 1,605,732 |
| (Net assets) | | |
| Shareholders' equity | | |
| Capital stock | 7,495 | 7,495 |
| Capital surplus | 4,511 | 4,511 |
| Retained earnings | 81,436 | 80,913 |
| Total shareholders' equity | 93,443 | 92,920 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 4 | 3 |
| Foreign currency translation adjustment | (612) | (351) |
| Total accumulated other comprehensive income | (607) | (347) |
| Total net assets | 92,836 | 92,572 |
| Total liabilities and net assets | 1,607,980 | 1,698,305 |

*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 223 million securities in six months ended September 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)

| | Six months ended September 30, 2017 (April 1 – September 30, 2017) | Six months ended September 30, 2018 (April 1 – September 30, 2018) |
|--|---|---|
| Operating revenue | 25,287 | 29,539 |
| Commission received | 11,097 | 10,540 |
| Commission to consignees | 8,426 | 7,583 |
| Commission for underwriting, secondary distribution and solicitation for selling and others for professional Investors | 0 | 16 |
| Fee for offerings, secondary distribution and solicitation for selling and others for professional investors | 684 | 776 |
| Other commissions received | 1,986 | 2,163 |
| Net trading income | 3,906 | 6,972 |
| Operating Investment securities for sales and others | 3 | (0) |
| Financial revenue | 9,937 | 11,536 |
| Other operating revenue | 343 | 490 |
| Financial expenses | 1,466 | 1,531 |
| Net operating revenue | 23,821 | 28,008 |
| Selling, general, and administrative expenses | 14,890 | 17,626 |
| Trading related expenses | 6,395 | 8,169 |
| Personnel expenses | 2,046 | 2,292 |
| Real estate expenses | 818 | 961 |
| Office expenses | 2,367 | 2,671 |
| Depreciation | 2,580 | 2,855 |
| Taxes and dues | 336 | 362 |
| Goodwill amortization | 285 | 282 |
| Provision for allowance for doubtful accounts | (24) | (47) |
| Others | 83 | 78 |
| Operating income | 8,931 | 10,382 |
| Non-operating income | 31 | 12 |
| Non-operating expenses | 274 | 315 |
| Ordinary income | 8,689 | 10,079 |
| Extraordinary gains | 225 | 30 |
| Extraordinary losses | 5 | — |
| Income before income taxes and other adjustments | 8,909 | 10,109 |
| Income taxes – current | 2,997 | 3,066 |
| Income taxes – deferred | (163) | 66 |
| Total income taxes | 2,834 | 3,132 |
| Net income | 6,075 | 6,976 |
| Profit (loss) attributable to owners of parent | 6,075 | 6,976 |

(3) Consolidated Statements of Comprehensive Income

(Millions of yen)

| | Six months ended September 30, 2017 (April 1 – September 30, 2017) | Six months ended September 30, 2018 (April 1 – September 30, 2018) |
|--|---|---|
| Net income | 6,075 | 6,976 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 11 | (0) |
| Foreign currency translation adjustment | 26 | 260 |
| Total other comprehensive income | 38 | 259 |
| Net comprehensive income | 6,114 | 7,236 |
| (Breakdown) | | |
| Comprehensive income attributable to owners of parents | 6,114 | 7,236 |
| Comprehensive income attributable to non-controlling interests | — | — |