

October 27, 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 six months ended September 30, 2017.

Rakuten Group plans to announce consolidated financial reports for the nine months ended September 30, 2017, on November 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.

October 27, 2017

## **Financial Reports** **For the six months ended September 30, 2017**

**Rakuten Securities, Inc.**

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

**Consolidated Operating Results\***

(Millions of yen, rounded down)

	Operating revenue	Net operating revenue	Operating income	Ordinary income	Net income
Six months ended September 30, 2017	25,287	23,821	8,931	8,689	6,075
Six months ended September 30, 2016	23,024	21,980	8,610	8,363	6,805

\*Pre-audit

## (1) Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2017	As of September 30, 2017
(Assets)		
Current assets	965,248	1,081,362
Cash and deposits	81,434	77,192
Cash segregated as deposits	507,070	582,938
Money held in trust	1,000	1,000
Trading products	20,660	19,618
Trading securities and others	1,112	1,103
Derivatives	19,547	18,515
Operating investment securities for sale and others	8	8
Trade date accrual	99	47
Margin transaction assets	314,008	352,974
Loans on margin transactions	282,270	300,867
Cash collateral pledged for securities borrowing on margin transactions	31,737	52,107
Advances paid	173	141
Cash paid for offering	2,749	4,250
Securities received as collateral *1	338	299
Short-term guarantee deposits	28,830	31,718
Variation margin paid	1,503	3,432
Short-term loan receivables	96	92
Advance payments	272	195
Prepaid expenses	282	402
Accounts receivable – other	1,067	936
Accrued corporate taxes and others	8	—
Accrued revenues	5,481	5,746
Deferred tax assets	253	449
Allowance for doubtful accounts	(92)	(83)

(Millions of yen)

	As of March 31, 2017	As of September 30, 2017
Fixed assets	25,402	25,429
Tangible fixed assets	1,405	1,308
Buildings	500	475
Furniture and fixtures	904	833
Intangible fixed assets	22,770	22,704
Goodwill	7,278	7,030
Customer relationships	1,536	1,440
Software	13,226	12,979
Software in progress	728	1,253
Investments and other assets	1,226	1,416
Investment securities	272	355
Long-term loans receivable	301	278
Long-term guarantee deposits	843	938
Long-term prepaid expenses	15	41
Others	1,346	1,339
Allowance for doubtful accounts	(1,553)	(1,537)
Total assets	990,650	1,106,791

(Millions of yen)

	As of March 31, 2017	As of September 30, 2017
(Liabilities)		
Current liabilities	899,420	1,017,135
Trading products	6,116	5,996
Trading securities and others	—	18
Derivatives	6,116	5,977
Margin transaction liabilities	80,690	105,244
Borrowings on margin transactions	9,542	17,155
Cash received for securities lending on margin transitions	71,148	88,089
Loans payable secured by securities	148,842	170,370
Cash received on debt credit transactions of securities	148,842	170,370
Deposits received	342,639	400,098
Guarantee deposits received *2	200,165	216,269
Accounts for non-received securities and others	23	—
Short term loans payable	117,000	113,000
Advances received	148	174
Accrued revenue	9	5
Accounts payable – other	75	212
Accrued expenses	2,438	2,332
Income taxes payable	868	2,905
Provision for employees' bonuses	363	469
Provision for directors' bonuses	-	20
Provision for sales promotion expenses	31	34
Other current liabilities	8	1
Fixed liabilities	370	407
Asset retirement obligations	185	185
Deferred tax liabilities	185	221
Other fixed liabilities	-	0
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	1,020,741

(Millions of yen)

	As of March 31, 2017	As of September 30, 2017
(Net assets)		
Shareholders' equity		
Capital stock	7,495	7,495
Capital surplus	4,511	4,511
Retained earnings	75,834	74,410
Total shareholders' equity	87,841	86,417
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8	19
Foreign currency translation adjustment	(414)	(387)
Total accumulated other comprehensive income	(406)	(367)
Total net assets	87,435	86,049
Total liabilities and net assets	990,650	1,106,791

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 299 million securities in six months ended September 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)

	Six months ended September 30, 2016 (April 1 – September 30, 2016)	Six months ended September 30, 2017 (April 1 – September 30, 2017)
Operating revenue	23,024	25,287
Commission received	10,386	11,097
Commission to consignees	7,758	8,426
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	639	684
Other commissions received	1,988	1,986
Net trading income	4,919	3,906
Net gain (loss) on trading of investment securities for sale	(0)	3
Financial revenue	7,523	9,937
Other operating revenue	195	343
Financial expenses	1,043	1,466
Net operating revenue	21,980	23,821
Selling, general, and administrative expenses	13,370	14,890
Trading related expenses	5,319	6,395
Personnel expenses	1,932	2,046
Real estate expenses	879	818
Office expenses	2,316	2,367
Depreciation	2,338	2,580
Taxes and dues	312	336
Goodwill amortization	273	285
Provision for allowance for doubtful accounts	(69)	(24)
Others	67	83
Operating income	8,610	8,931
Non-operating income	5	31
Non-operating expenses	252	274
Ordinary income	8,363	8,689

(Millions of yen)

	Six months ended September 30, 2016 (April 1 – September 30, 2016)	Six months ended September 30, 2017 (April 1 – September 30, 2017)
Extraordinary gains	1,042	225
Extraordinary losses	130	5
Income before income taxes and other adjustments	9,275	8,909
Income taxes – current	2,351	2,997
Income taxes – deferred	118	(163)
Total income taxes	2,469	2,834
Net income	6,805	6,075
Profit (loss) attributable to owners of parent	6,805	6,075



### (3) Consolidated Statements of Comprehensive Income

(Millions of yen)

	Six months ended September 30, 2016 (April 1 – September 30, 2016)	Six months ended September 30, 2017 (April 1 – September 30, 2017)
Net income	6,805	6,075
Other comprehensive income		
Valuation difference on available-for-sale securities	(4)	11
Foreign currency translation adjustment	(446)	26
Total other comprehensive income	(451)	38
Net comprehensive income	6,354	6,114
(Breakdown)		
Comprehensive income attributable to owners of parents	6,354	6,114
Comprehensive income attributable to non-controlling interests	-	-