

January 29, 2019

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 fiscal year ended December 31, 2018.

Rakuten Group plans to announce consolidated financial reports for the fiscal year ended December 31, 2018, on February 12, 2019 (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.

January 29, 2019

Financial Reports For the fiscal year ended December 31, 2018

Rakuten Securities, Inc.

Rakuten Securities, Inc. (President: Yuji Kusunoki. Head Office: Setagaya-ku, Tokyo) consolidated financial reports for the fiscal year ended December 31, 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 fiscal year ended December 31, 2018 (From April 1, 2018 to December 31, 2018)

Consolidated Operating Results*

(Millions of yen, rounded down)

	Operating revenue	Net operating revenue	Operating income	Ordinary income	Net income
Fiscal year ended December 31, 2018	45,106	42,810	15,474	14,934	10,157
Fiscal year ended March 31, 2018	55,884	52,709	20,643	20,079	13,102

(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 December 31, 2018
(Assets)		
Current assets	1,580,566	1,537,370
Cash and deposits	97,718	101,805
Cash segregated as deposits	968,988	994,997
Money held in trust	1,000	1,300
Trading products	28,290	33,484
Trading securities and others	869	856
Derivatives	27,421	32,627
Operating investment securities for sale and others	8	8
Trade date accrual	40	1,388
Margin transaction assets	440,371	344,016
Loans on margin transactions	401,115	319,016
Cash collateral pledged for securities borrowing on margin transactions	39,255	25,000
Advances paid	180	692
Cash paid for offering	3,470	4,755
Securities received as collateral *1	296	229
Short-term guarantee deposits	29,753	42,320
Variation margin paid	2,123	3,384
Advance payments	644	533
Prepaid expenses	359	500
Accounts receivable – other	1,297	1,944
Accrued revenues	6,153	6,102
Allowance for doubtful accounts	(130)	(92)
Fixed assets	27,413	29,475
Tangible fixed assets	1,273	1,695
Buildings	443	412
Furniture and fixtures	829	1,282
Intangible fixed assets	24,387	25,906
Goodwill	6,648	6,143
Customer relationships	1,344	1,200
Software	14,078	16,605
Software in progress	2,316	1,957
Investments and other assets	1,752	1,873
Investment securities	367	422
Long-term loans receivable	263	253
Long-term guarantee deposits	923	1,209
Long-term prepaid expenses	37	36
Deferred tax assets	347	133
Others	1,395	1,355
Allowance for doubtful accounts	(1,582)	(1,537)
Total assets	1,607,980	1,566,846

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(Millions of yen)

	As of March 31, 2018	As of December 31, 2018
(Liabilities)		
Current liabilities	1,511,191	1,467,223
Trading products	5,539	14,802
Trading securities and others	4	0
Derivatives	5,534	14,801
Margin transaction liabilities	83,971	67,423
Borrowings on margin transactions	16,604	13,688
Cash received for securities lending on margin transitions	67,366	53,735
Loans payable secured by securities	261,304	246,463
Cash received on debt credit transactions of securities	261,304	246,463
Deposits received	772,859	765,602
Guarantee deposits received *2	224,190	285,413
Accounts for non-received securities and others	29	36
Short term loans payable	155,000	82,000
Advances received	224	334
Accrued revenue	1	6
Accounts payable – other	113	99
Accrued expenses	3,129	3,497
Income taxes payable	4,232	1,160
Provision for employees' bonuses	520	227
Provision for directors' bonuses	—	30
Provision for sales promotion expenses	72	122
Other current liabilities	2	2
Fixed liabilities	175	231
Provision for retirement benefits	—	55
Asset retirement obligations	175	175
Statutory reserves	3,777	3,755
Reserve for financial products liabilities	3,762	3,743
Reserve for liability for commodities transactions	15	11
Total liabilities	1,515,144	1,471,210
(Net assets)		
Shareholders' equity		
Capital stock	7,495	7,495
Capital surplus	4,511	4,511
Retained earnings	81,436	84,094
Total shareholders' equity	93,443	96,101
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4	3
Foreign currency translation adjustment	(612)	(468)
Total accumulated other comprehensive income	(607)	(465)
Total net assets	92,836	95,636
Total liabilities and net assets	1,607,980	1,566,846

*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 229 million securities in fiscal year ended December 31, 2018 received as substitute for clearing margins etc. from consignors and others for commodity futures transactions.

(2) Consolidated Statements of Income

	(Millions of yen)	
	Fiscal year ended March 31, 2018 (April 1, 2017 – March 31, 2018)	Fiscal year ended December 31, 2018 (April 1, 2018 – December 31, 2018)
Operating revenue	55,884	45,106
Commission received	23,715	16,115
Commission to consignees	17,825	11,668
Commission for underwriting, secondary distribution and solicitation for selling and others for professional Investors	0	22
Fee for offerings, secondary distribution and solicitation for selling and others for professional investors	1,882	1,259
Other commissions received	4,007	3,165
Net trading income	9,607	11,047
Operating Investment securities for sales and others	3	(0)
Financial revenue	21,769	17,169
Other operating revenue	787	773
Financial expenses	3,174	2,295
Net operating revenue	52,709	42,810
Selling, general, and administrative expenses	32,065	27,335
Trading related expenses	14,289	12,748
Personnel expenses	4,193	3,485
Real estate expenses	1,652	1,502
Office expenses	5,073	4,126
Depreciation	5,288	4,467
Taxes and dues	731	517
Goodwill amortization	568	424
Provision for allowance for doubtful accounts	95	(46)
Others	172	109
Operating income	20,643	15,474
Non-operating income	66	18
Non-operating expenses	630	558
Ordinary income	20,079	14,934
Extraordinary gains	5	32
Extraordinary losses	507	138
Income before income taxes and other adjustments	19,578	14,828
Income taxes – current	6,758	4,452
Income taxes – deferred	(282)	218
Total income taxes	6,476	4,670
Net income	13,102	10,157
Profit (loss) attributable to owners of parent	13,102	10,157

(3) Consolidated Statements of Comprehensive Income

(Millions of yen)

	Fiscal year ended March 31, 2018 (April 1, 2017 – March 31, 2018)	Fiscal year ended December 31, 2018 (April 1, 2018 – December 31, 2018)
Net income	13,102	10,157
Other comprehensive income		
Valuation difference on available-for-sale securities	(3)	(1)
Foreign currency translation adjustment	(197)	143
Total other comprehensive income	(201)	142
Net comprehensive income	12,900	10,300
(Breakdown)		
Comprehensive income attributable to owners of parents	12,900	10,300
Comprehensive income attributable to non-controlling interests	—	—