

January 26, 2021

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. (Head Office: Minato-ku, Tokyo. President: Yuji Kusunoki), 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, 2020.

Rakuten Group plans to announce consolidated financial reports for the fiscal year ended December 31, 2020, on February 12, 2021 (Friday).

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 26, 2021

Financial Reports For the fiscal year ended December 31, 2020

Rakuten Securities, Inc.

Rakuten Securities, Inc. (Head Office: Minato-ku, Tokyo. President: Yuji Kusunoki) consolidated financial reports for the fiscal year ended December 31, 2020 (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, 2020 (January 1, 2020 to December 31, 2020)

Consolidated Operating Results*

(Millions of yen, rounded down)

	Operating revenue	Net operating revenue	Operating income	Ordinary income	Net income
Fiscal year ended December 31, 2020	72,306	69,497	15,096	15,214	8,669
Fiscal year ended December 31, 2019	56,055	53,590	11,299	10,258	6,299

*Financial disclosure is not subject to review by a certified public accountant or an audit firm.

(Reference information)

Results for the nine months ended December 31, 2020 (April 1, 2020 to December 31, 2020)

Consolidated Operating Results

(Millions of yen, rounded down)

	Operating revenue	Net operating revenue	Operating income	Ordinary income	Net income
April 1, 2020 to December 31, 2020	55,044	52,759	11,202	11,330	5,988
April 1, 2019 to December 31, 2019	41,669	39,763	7,963	7,185	4,389

(1) Consolidated Balance Sheet

(Millions of yen)

	As of December 31, 2019	As of December 31, 2020
(Assets)		
Current assets	1,845,300	2,400,906
Cash and deposits	103,792	200,721
Cash segregated as deposits	1,242,181	1,563,496
Money held in trust	1,800	2,000
Trading products	26,093	32,797
Trading securities and others	948	863
Derivatives	25,145	31,934
Operating investment securities for sale and others	8	7
Trade date accrual	313	2,352
Margin transaction assets	406,325	503,798
Loans on margin transactions	320,946	423,306
Cash collateral pledged for securities borrowing on margin transactions	85,378	80,491
Loans secured by securities	—	18,224
Cash collateral pledged for securities borrowed	—	18,224
Advances paid	130	279
Cash paid for offering	4,170	9,144
Securities received as collateral *1	255	—
Short-term guarantee deposits	48,733	49,797
Variation margin paid	1,646	2,807
Advance payments	232	5,359
Prepaid expenses	451	530
Accounts receivable – other	2,341	3,271
Accrued revenues	7,054	6,702
Allowance for doubtful accounts	(229)	(384)
Fixed assets	30,077	31,885
Tangible fixed assets	1,576	1,555
Buildings	345	335
Furniture and fixtures	1,012	1,025
Lease assets	218	194
Intangible fixed assets	25,628	26,692
Goodwill	5,572	4,957
Customer relationships	1,008	816
Software	17,202	19,005
Software in progress	1,431	1,544
Lease assets	414	369
Investments and other assets	2,872	3,637
Investment securities	456	669
Long-term loans receivable	269	232
Long-term guarantee deposits	1,291	1,305
Long-term prepaid expenses	41	97
Deferred tax assets	219	376
Others	2,542	2,722
Allowance for doubtful accounts	(1,948)	(1,766)
Total assets	1,875,377	2,432,791

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(Millions of yen)

	As of December 31, 2019	As of December 31, 2020
(Liabilities)		
Current liabilities	1,773,346	2,323,443
Trading products	8,589	10,719
Derivatives	8,589	10,719
Margin transaction liabilities	149,300	143,955
Borrowings on margin transactions	18,057	17,374
Cash received for securities lending on margin transitions	131,243	126,580
Loans payable secured by securities	179,007	314,589
Cash received on debt credit transactions of securities	179,007	314,589
Deposits received	954,814	1,222,711
Guarantee deposits received *2	316,179	398,487
Accounts for non-received securities and others	24	—
Short term loans payable	160,000	222,000
Advances received	328	1,216
Accrued revenue	7	3
Lease obligations	123	132
Accounts payable – other	48	16
Consolidated taxes payable	—	2,389
Accrued expenses	3,921	5,751
Income taxes payable	501	911
Provision for employees' bonuses	259	284
Provision for directors' bonuses	30	30
Provision for sales promotion expenses	207	240
Other current liabilities	1	3
Fixed liabilities	996	1,332
Lease obligations	562	463
Net defined benefit liability	325	653
Asset retirement obligations	107	215
Statutory reserves	3,805	5,356
Reserve for financial products liabilities	3,792	5,356
Reserve for liability for commodities transactions	12	—
Total liabilities	1,778,147	2,330,132
(Net assets)		
Shareholders' equity		
Capital stock	7,495	7,495
Capital surplus	4,511	4,511
Retained earnings	85,780	91,450
Total shareholders' equity	97,787	103,457
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1	2
Foreign currency translation adjustment	(528)	(745)
Remeasurements of defined benefit plans	(30)	(55)
Total accumulated other comprehensive income	(557)	(798)
Total net assets	97,229	102,658
Total liabilities and net assets	1,875,377	2,432,791

*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 255 million securities in the fiscal year ended December 31, 2019 received as substitute for clearing margins etc. from consignors and others for commodity futures transactions. No securities were received as substitute for the fiscal year ended December 31, 2020.

(2) Consolidated Statements of Income

	(Millions of yen)	
	Fiscal year ended December 31, 2019 (January 1 – December 31, 2019)	Fiscal year ended December 31, 2020 (January 1 – December 31, 2020)
Operating revenue	56,055	72,306
Commission received	19,716	31,372
Commission to consignees	14,098	25,190
Commission for underwriting, secondary distribution and solicitation for selling and others for professional Investors	39	84
Fee for offerings, secondary distribution and solicitation for selling and others for professional investors	1,301	986
Other commissions received	4,277	5,110
Net trading income	16,025	17,524
Operating Investment securities for sales and others	(0)	(0)
Financial revenue	19,370	20,252
Other operating revenue	943	3,158
Financial expenses	2,465	2,809
Net operating revenue	53,590	69,497
Selling, general, and administrative expenses	42,290	54,401
Trading related expenses	18,835	27,404
Personnel expenses	5,159	5,522
Real estate expenses	1,882	1,825
Office expenses	7,548	10,518
Depreciation	6,790	7,330
Taxes and dues	715	983
Goodwill amortization	552	549
Provision for allowance for doubtful accounts	653	133
Others	151	133
Operating income	11,299	15,096
Non-operating income	25	332
Non-operating expenses	1,066	214
Ordinary income	10,258	15,214
Extraordinary gains	88	12
Extraordinary losses	706	1,896
Income before income taxes and other adjustments	9,640	13,330
Income taxes – current	3,584	4,810
Income taxes – deferred	(243)	(149)
Total income taxes	3,341	4,660
Net income	6,299	8,669
Profit (loss) attributable to owners of parent	6,299	8,669

(3) Consolidated Statements of Comprehensive Income

(Millions of yen)

	Fiscal year ended December 31, 2019 (January 1 – December 31, 2019)	Fiscal year ended December 31, 2020 (January 1 – December 31, 2020)
Net income	6,299	8,669
Other comprehensive income		
Valuation difference on available-for-sale securities	(1)	0
Foreign currency translation adjustment	(59)	(217)
Remeasurements of defined benefit plans	(30)	(24)
Total other comprehensive income	(92)	(240)
Net comprehensive income	6,206	8,428
(Breakdown)		
Comprehensive income attributable to owners of parents	6,206	8,428
Comprehensive income attributable to non-controlling interests	—	—