

# Rakuten Bank, Ltd.

## Annual Financial Report (Consolidated) for Fiscal 2012

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The following information was originally prepared and published by Rakuten Bank, Ltd. in Japanese in accordance with the provisions set forth in the Company Law of Japan and the Banking Act of Japan and in conformity with generally accepted accounting principles and practices in Japan.

This English translation is for your convenience only. To the extent there is any discrepancy between this English translation and the original Japanese version, please refer to the Japanese version.

(Note: Amounts of less than one million yen are rounded down)  
(Parentheses indicate negative figures)

## 1. Consolidated Results for the Fiscal Year Ended March 31, 2013 (April 1, 2012 to March 31, 2013)

### (1) Consolidated Operating Results (Percentage figures refer to comparisons with the previous fiscal year)

	Ordinary Income		Ordinary Profit		Net Income	
	JPY million	%	JPY million	%	JPY million	%
March 31, 2013	41,233	7.7	8,364	32.9	11,817	9.8
March 31, 2012	38,283	7.1	6,293	132.4	10,762	92.6

(Note) Comprehensive income Fiscal 2012 9,114 million (2.6%) Fiscal 2011 JPY 8,881 million (80.8%)

	Net Income per share	Diluted Net Income per share	Net income on own capital	Ordinary profit to Total assets	Ordinary profit to Ordinary income
	JPY	JPY	%	%	%
March 31, 2013	5,029 89	— —	23.8	0.9	20.2
March 31, 2012	4,580 59	— —	26.5	0.7	16.4

(Reference) Equity in Income from Investments in Affiliates: Fiscal 2012 - Fiscal 2011 -

### (2) Consolidated Financial Position

	Total assets	Total net assets	Own capital ratio	Total net assets per share
	JPY million	JPY million	%	JPY
March 31, 2013	922,049	54,140	5.8	23,043 59
March 31, 2012	832,375	45,041	5.4	19,170 60

(Reference) Own capital Fiscal 2012 JPY 54,140 MM Fiscal 2011 JPY 45,041MM

(Note 1) The "own capital ratio" is calculated by dividing (total net assets – new share warrants – minority shareholders' interest) by total assets at the end of the fiscal period. However, the Own capital ratio is not based on the Article on Capital Adequacy Ratio.

### (3) Consolidated Cashflow Position

	Cashflow from operating activities	Cashflow from investment activities	Cashflow from financing activities	Cash and cash equivalents balance at end of fiscal year
	JPY million	JPY million	JPY million	JPY million
March 31, 2013	(9,677)	93,595	(14)	160,940
March 31, 2012	12,932	37,372	—	77,046

## 2. Dividends Position

(Record Date)	Dividend per share					Total dividend (annual) JPY million	Dividend payout ratio (consolidated) %	Dividend to net asset ratio (consolidated) %
	end of Q1	end of Q2	end of Q3	end of Q4	annual			
	JPY	JPY	JPY	JPY	JPY			
March 31, 2013	—	0.00	—	0.00	0.00	—	—	—
March 31, 2012	—	0.00	—	0.00	0.00	—	—	—
March 31, 2014 (Expected)	—	0.00	—	0.00	0.00		—	

(Note) The above Dividends position refers to the Dividends position on common stock

## 3. Forecasts for the Fiscal Year Ending March 31, 2014 (April 1, 2013-March 31, 2014)

Rakuten Bank Ltd.'s performance is significantly affected by results of its investment funding operations, which are, in turn, impacted by uncertainties surrounding trends in domestic and overseas financial product markets. Accordingly, Rakuten Bank, Ltd. does not at present include a consolidated earnings forecast for the next fiscal year in order to prevent any potential misunderstandings with investors.

## ※ Special notes

(1) Changes in significant subsidiaries during the period: No

(2) Changes in accounting policies, changes in accounting estimates and restatements

- ① Changes in accounting policies due to revision of accounting standards: No  
 ② Changes in accounting policies due to reasons other than ①: No  
 ③ Changes in accounting estimates: No  
 ④ Restatements: No

(3) Number of outstanding shares at the end of the period (Common stock)

① Total stocks outstanding including treasury stocks	March 31, 2013	2,349,484 shares	March 31, 2012	2,349,484 shares
② Treasury stocks	March 31, 2013	— shares	March 31, 2012	— shares
③ Average outstanding stocks	March 31, 2013	2,349,484 shares	March 31, 2012	2,349,484 shares

(Summary of non-consolidated financial data)

## 1. Non-consolidated Results for the Fiscal Year Ended March 31, 2008

(1) Non-consolidated Operating Results (Percentage figures refer to comparisons with the previous fiscal year)

	Ordinary Income		Ordinary Profit		Net Income	
	JPY million	%	JPY million	%	JPY million	%
March 31, 2013	41,221	7.7	8,279	25.0	11,782	3.6
March 31, 2012	38,242	9.3	6,623	180.9	11,372	114.8

	Net Income per share	Diluted Net Income per share
	JPY	JPY
March 31, 2013	5,014.84	—
March 31, 2012	4,840.43	—

(2) Non-consolidated Financial Position

	Total assets	Total net assets	Own capital ratio	Total net assets per share
	JPY million	JPY million	%	JPY
March 31, 2013	922,095	54,187	5.8	23,063.63
March 31, 2012	832,982	45,122	5.4	19,205.39

(Reference) Own Capital Fiscal 2012 JPY 54,187MM Fiscal 2011 JPY 45,122MM

(Note) The Own capital ratio is calculated by dividing (total net assets – new share warrants) by total assets at the end of the fiscal period. However, the Own capital ratio is not based on the Article on Capital Adequacy Ratio.

## 2. Consolidated Financial Statements

### (1) Consolidated Balance Sheet

(Unit: JPY million)

	as of March 31, 2012	as of March 31, 2013
<b>Assets</b>		
Cash & Due from Banks	80,046	160,940
Call Loans	24,000	48,000
Monetary Claims Bought	215,323	252,447
Money held in Trust	615	205
Marketable Securities	303,879	209,533
Loans & Bills Discounted	164,116	199,785
Foreign Exchange	1,776	2,527
Other Assets	27,948	28,038
Property, Plant & Equipment	590	783
Building	143	166
Other Property, Plant & Equipment	447	617
Intangible assets	5,392	6,442
Software	5,330	5,933
Software-in-progress	58	507
Other intangible assets	2	1
Deferred Tax Assets	6,073	9,923
Customer liabilities for Acceptances & Guarantees	3,811	3,848
Allowance for Doubtful Accounts	(1,197)	(425)
<b>Total Assets</b>	<b>832,375</b>	<b>922,049</b>
<b>Liabilities</b>		
Deposits	757,945	836,247
Borrowed Money	—	100
Bonds payable	5,000	5,000
Other Liabilities	20,301	22,412
Reserve for Bonus	164	155
Reserve for Loyalty award credits	93	125
Reserve for Reimbursement of Deposits	—	0
Contingency Loss Provision	17	19
Acceptances & Guarantees	3,811	3,848
<b>Total Liabilities</b>	<b>787,334</b>	<b>867,909</b>
<b>Net Assets</b>		
Common Stock	25,954	25,954
Capital Surplus	2,468	2,468
Retained Earnings	13,826	25,629
<b>Total Shareholder Equity</b>	<b>42,249</b>	<b>54,051</b>
Valuation Difference on Available-for-sale Securities	2,791	89
Accumulated Total of Other Comprehensive Income	2,791	89
<b>Total Net Assets</b>	<b>45,041</b>	<b>54,140</b>
<b>Total Liabilities &amp; Net Assets</b>	<b>832,375</b>	<b>922,049</b>

## (2) Consolidated Statement of Income

(Unit: JPY million)

	For the fiscal year ending March 31, 2012	For the fiscal year ending March 31, 2013
Ordinary Income	38,283	41,233
Interest Income	19,385	22,401
Interest on Loans & Discounts	13,235	16,616
Interest and Dividends on Securities	3,346	2,279
Call Loan Interest	86	78
Interest on Due from Banks	75	123
Other Interest Received	2,639	3,303
Fees & Commissions	14,017	13,851
Other Ordinary Income	4,234	4,920
Other Income	646	59
Ordinary Expenses	31,990	32,868
Interest Expenses	2,391	2,039
Interest on Deposits	2,304	1,953
Call Money Interest	—	0
Interest on Borrowings	—	0
Bond Interest	87	85
Fees & Commissions	11,319	13,236
Other Operating Expense	2,037	262
General & Administrative Expenses	16,192	17,246
Other Expenses	49	83
Provision on Loss for Doubtful Accounts	—	40
Other Expenses	49	43
Ordinary Profit	6,293	8,364
Extraordinary Profit	—	1,500
Other Extraordinary Profit	—	1,500
Extraordinary Losses	57	111
Loss on Disposal of Property & Equipment	49	108
Provision of Reserve for Financial Products Transaction Liabilities	3	2
Other Extraordinary Loss	3	—
Net Income before Taxes	6,236	9,753
Provision for Income & Other Taxes	9	339
Adjustment to Income & Other Taxes	(4,535)	(2,403)
Total Income & Other Taxes	(4,525)	(2,063)
Net Income before Adjustment for Minority Shareholders	10,762	11,817
Current Net Income	10,762	11,817

## (3) Consolidated Cashflow Statement

(Unit: JPY million)

	For the fiscal year ending March 31, 2012	For the fiscal year ending March 31, 2013
Cash flows from operating activities:		
Income before income taxes and others	6,236	9,753
Depreciation	2,117	2,106
Amortization of goodwill	323	—
Increase (Decrease) in allowance for doubtful accounts	(2,292)	(771)
Increase (Decrease) in reserve for bonuses	(7)	(9)
Increase (Decrease) in reserve for loyalty award credits	12	32
Increase (Decrease) in other reserves	—	2
Interest income recognized on statement of income	(19,385)	(22,401)
Interest expenses recognized on statement of income	2,391	2,039
Losses (gains) on securities	(871)	(2,506)
Losses (gains) on money held in trust	4	(3)
Foreign exchange losses (gains)	210	(2,284)
Losses (gains) on sales of fixed assets	49	108
Net decrease (increase) in loans and bills discounted	(28,681)	(35,668)
Net increase (decrease) in deposits	43,958	78,301
Net increase (decrease) in borrowed money	—	100
Net decrease (increase) in due from banks exc. cash equivalents	—	3,000
Net decrease (increase) in call loans and others	3,000	(24,000)
Net decrease (increase) in Foreign exchange position(assets)	1,731	(751)
Net decrease (increase) in monetary claims bought	(18,056)	(37,123)
Interest income (cash basis)	18,820	21,880
Interest expenses (cash basis)	(4,466)	(2,296)
Others	7,844	865
Subtotal	12,939	(9,626)
Refund of income taxes	(6)	(51)
Net Cash Provided by (Used in) Operating Activities	12,932	(9,677)
Cash flows from investing activities:		
Purchase of securities	(276,321)	(174,983)
Proceeds from sales of securities	35,331	118,264
Proceeds from redemption of securities	275,712	153,588
Decrease in money held in trust	5,860	413
Purchase of tangible fixed assets	(252)	(281)
Purchase of intangible fixed assets	(2,420)	(3,404)
Purchase of additional equity in subsidiary	(538)	—
Net Cash Provided by (Used in) Investment Activities	37,372	93,595
Cash flows from financing activities:		
Purchases of treasury stock	—	(14)
Net Cash Provided by (Used in) Financing Activities	—	(14)
Net increase (decrease) in cash and cash equivalents	50,304	83,903
Cash and Cash Equivalents at Beginning of Period	26,742	77,046
Increase (Decrease) in cash and cash equivalents resulting from exclusion of subsidiary from consolidation	—	(9)
Cash and Cash Equivalents at End of Period	77,046	160,940

### 3. Non-consolidated Financial Statements

#### (1) Non-consolidated Balance Sheet

(Unit: JPY million)

	as of March 31, 2012	as of March 31, 2013
<b>Assets</b>		
Cash & Due from Banks	79,766	160,764
Cash	0	—
Due from Banks	79,766	160,764
Call Loans	24,000	48,000
Monetary Claims Bought	215,323	252,447
Money held in Trust	615	205
Marketable Securities	304,635	209,583
Government Bonds	120,985	50,091
Municipal Bonds	7,032	7,035
Short-term Bonds	14,495	16,998
Corporate Bonds	28,449	22,573
Equity Securities	707	0
Other Securities	132,964	112,884
Loans & Bills Discounted	164,116	199,785
Term Loans	15,406	15,172
Overdraft facilities	148,710	184,612
Foreign Exchange	1,776	2,527
Due to Foreign Banks	1,776	2,527
Other Assets	27,904	28,038
Domestic Exchange Settlement Accounts, debit	3,252	5,244
Prepaid Expenses	119	202
Accrued Income	2,004	2,080
Initial Margins of Futures Markets	8,990	8,241
Derivatives other than for Trading	4,144	6,333
Other Assets	9,393	5,936
Property, Plant & Equipment	540	783
Building	115	166
Other Property, Plant & Equipment	425	617
Intangible assets	5,641	6,614
Software	5,547	6,111
Software-in-progress	91	501
Other intangible assets	2	1
Deferred Tax Assets	6,048	9,923
Customer liabilities for Acceptances & Guarantees	3,811	3,848
Allowance for Doubtful Accounts	(1,197)	(425)
<b>Total Assets</b>	<b>832,982</b>	<b>922,095</b>

	as of March 31, 2012	as of March 31, 2013
<b>Liabilities</b>		
Deposits	758,352	836,247
Ordinary Deposits	396,817	448,395
Term Deposits	288,182	317,143
Other Deposits	73,352	70,708
Borrowed Money	—	100
Bonds payable	5,000	5,000
Other Liabilities	20,436	22,411
Domestic Exchanges Settlement Account, Credit	3,491	5,400
Income Taxes Payable	45	377
Accrued Expenses	4,895	5,299
Unearned Income	214	209
Valuation Margins of Future Markets	8,997	8,248
Derivatives Other Than for Trading	1,215	1,908
Other Liabilities	1,577	966
Reserve for Bonus	147	155
Reserve for Points	93	125
Reserve for Reimbursement of Deposits	—	0
Contingency Loss Provision	17	19
Financial Instruments Transaction Liability Reserve	17	19
Acceptances and Guarantees	3,811	3,848
Total Liabilities	787,859	867,907
<b>Net Assets</b>		
Common Stock	25,954	25,954
Capital Surplus	2,468	2,468
Capital Surplus Reserve	2,468	2,468
Retained Earnings	13,908	25,676
Voluntary Reserves	13,908	25,676
Retained earnings brought forward	13,908	25,676
Total Shareholder Equity	42,330	54,098
Valuation Difference on Available-for-sale Securities	2,791	89
Total Valuation and Translation Adjustments	2,791	89
Total Net Assets	45,122	54,187
Total Liabilities & Net Assets	832,982	922,095

## (2) Non-consolidated Statement of Income

(Unit: JPY million)

	For the fiscal year ending March 31, 2012	For the fiscal year ending March 31, 2013
Ordinary Income	38,242	41,221
Interest Income	19,385	22,401
Interest on Loans & Discounts	13,235	16,616
Interest and Dividends on Securities	3,346	2,279
Call Loan Interest	86	78
Interest on Due from Banks	75	123
Other Interest Received	2,639	3,303
Fees & Commissions	14,010	13,847
Commission received on Exchange Transactions	3,296	3,647
Other Fees & Commissions Income	10,713	10,199
Other Ordinary Income	4,234	4,920
Profit on Foreign Exchange	1,454	1,250
Gain on Sale of Government and other bonds	1,063	2,765
Gain on Redemption of Government and other bonds	135	26
Derivatives Other Than for Trading Revenue	1,353	643
Other Ordinary Income	228	234
Other Income	613	51
Gain on Investment in Money held in Trust	20	3
Reversal of allowance for doubtful receivables	161	—
Other Income	431	47
Ordinary Expenses	31,619	32,941
Interest Expenses	2,391	2,039
Interest on Deposits	2,304	1,953
Call Money Interest	—	0
Interest on Borrowings	—	0
Bond Interest	87	85
Fees & Commissions Expense	11,319	13,236
Exchange Fees paid	1,610	1,716
Other Fees & Commissions Expense	9,708	11,519
Other Operating Expense	2,037	262
Loss on sale of government and other bonds	24	220
Loss on Redemption of Government and other bonds	1	42
Loss on Write-down of Government and other bonds	287	—
Other Operating Expense	1,723	—
General & Administrative Expenses	15,821	17,319
Other Expenses	49	83
Provision on Loss for Doubtful Accounts	—	40
Loss on sale of Equity	—	11
Loss on Write-down of Equity	12	11
Loss on Money held in Trust Investment	24	—
Other Expenses	12	20
Ordinary Profit	6,623	8,279
Extraordinary Profit	278	1,551
Other Extraordinary Profit	278	1,551
Extraordinary Losses	51	116
Loss on Disposal of Property & Equipment	48	114
Provision of Reserve for Financial Products Transaction Liabilities	3	2
Net Income before Taxes	6,849	9,714
Provision for Income & Other Taxes	9	339
Adjustment to Income & Other Taxes	(4,532)	(2,407)
Total Income & Other Taxes	(4,522)	(2,067)
Current Net Income	11,372	11,782

#### 4. Other Financial Information

(1) Disclosure based on the categories of the Financial Revitalization Law

(Unit: JPY million)

	as of March 31, 2012	as of March 31, 2013
Claims in bankruptcy & reorganization, and similar claims	862	65
Doubtful Claims	32	36
Substandard Claims	—	—
Normal Claims	169,798	207,206
Total	170,693	207,308

(Note) The above is based on the Act on Emergency Measures for the Revitalization of the Financial Functions

(2) Consolidated Capital Adequacy Ratio (Japanese domestic standard)

(Unit: JPY million)

	as of March 31, 2012	as of March 31, 2013
Capital Adequacy Ratio	13.89%	13.33%
Basic Items (Tier 1) Ratio	12.43%	12.45%
Total Capital	47,196	57,893
Tier 1 Capital	42,249	54,051
Total Required Capital	13,590	17,363

(Note) Reported based on Financial Service Agency Article 15 (2007).

(3) Non-Consolidated Capital Adequacy Ratio (Japanese domestic standard)

(Unit: JPY million)

	as of March 31, 2012	as of March 31, 2013
Capital Adequacy Ratio	13.89%	13.35%
Basic Items (Tier 1) Ratio	12.44%	12.46%
Total Capital	47,278	57,940
Tier 1 Capital	42,330	54,098
Total Required Capital	13,606	17,356

(Note) Reported based on Financial Service Agency Article 15 (2007).

(4) Valuation Difference on Securities with Market Value (Non-consolidated)

○ Valuation Difference

(Unit: JPY million)

	as of March 31, 2012				as of March 31, 2013			
	Market Value	Valuation Difference			Market Value	Valuation Difference		
		Profit	Loss			Profit	Loss	
Other Marketable Securities	479,940	4,248	5,482	1,233	363,536	271	893	621
Equity	—	—	—	—	—	—	—	—
Bonds	163,930	3,631	3,733	102	89,663	127	137	10
Other	316,009	617	1,748	1,131	273,873	143	755	611

(Note) 1. End of period Valuation Difference and included Profit and Loss are recorded as the difference between Book Value (after application of amortized cost method, after booking of impairment loss) and Market Value at each relevant end of period.

2. Furthermore, Bonds held to Maturity is presented below.

(Unit: JPY million)

	as of March 31, 2012				as of March 31, 2013			
	Book Value	Unrealized profit and loss			Book Value	Unrealized profit and loss		
		Profit	Loss			Profit	Loss	
Bonds held to Maturity	21,632	570	576	6	23,535	768	768	—

## (5) Derivative Transactions

## ① Interest rate-related Transactions

(Unit: JPY million)

Category	Type	as of March 31, 2012			as of March 31, 2013		
		Contract Value	Market Value	Valuation Profit/Loss	Contract Value	Market Value	Valuation Profit/Loss
Exchange	Interest Rate Futures	—	—	—	—	—	—
	Interest Rate Options	—	—	—	—	—	—
OTC	Forward Rate Agreement	—	—	—	—	—	—
	Interest Rate Swap	—	—	—	—	—	—
	Interest rate Swaption	204,352	2	2	209,339	4	4
	Interest Rate Options	—	—	—	—	—	—
	Other	—	—	—	—	—	—
	Total			2			4

(Note) 1. The above is based on a mark-to-market valuation, and has been recorded on the Statement of Income

2. Market Value

Calculation

Calculated using Net Present Value and the Option Price Calculation Model.

3. Interest Rate Swap Options which are difficult to differentiate for our bank are included in Interest Rate Swaption Transactions.

4. Derivative transactions which are applicable to Hedge accounting are not included in the above.

## ② Foreign Currency-related Transactions

(Unit: JPY million)

Category	Type	as of March 31, 2012			as of March 31, 2013		
		Contract Value	Market Value	Valuation Profit/Loss	Contract Value	Market Value	Valuation Profit/Loss
Exchange	Currency Futures	—	—	—	—	—	—
	Currency Options	—	—	—	—	—	—
OTC	Currency Swap	—	—	—	—	—	—
	FX Forwards	101,683	1,461	1,461	114,062	2,801	2,801
	Currency Options	—	—	—	—	—	—
	Other	—	—	—	—	—	—
	Total			1,461			2,801

(Note) 1. The above is based on a mark-to-market valuation, and has been recorded on the Statement of Income

2. Market Value Calculation

FX Forward transactions are stated according to forward exchange rates.

## ③ Equity-related Transactions

No relevant transactions

## ④ Debt-related Transactions

No relevant transactions

## ⑤ Product-related Transactions

No relevant transactions

## ⑥ Credit Derivative Transactions

No relevant transactions

## (4) Margin Conditions

(Unit: %)

	as of March 31, 2012	as of March 31, 2013
Investment Yield	2.51	2.66
Fundraising Cost	2.44	2.41
Overall Investment Spread	0.07	0.25
Overall Investment Spread	0.32	0.25
Overall Interest Spread	2.19	2.41

## (5) Deposit Conditions

(Unit: JPY million)

	as of March 31, 2012	as of March 31, 2013
Ordinary Deposits	396,817	448,395
Term Deposits	288,182	317,143
Other Deposits	73,352	70,708
Total	758,352	836,247

## (6) Term Deposit Balance per Remaining Period to Maturity

(Unit: JPY million)

	less than 1 year	Over 1 year Less than 2 years	Over 2 years Less than 3 years	Over 3 years	Total
as of March 31, 2012	157,249	23,116	7,644	100,171	288,182
as of March 31, 2013	190,662	12,638	4,872	108,970	317,143

## (7) General &amp; Administrative Expense Conditions

(Unit: JPY million)

	Fiscal 2011	Fiscal 2012
Employment Costs	3,061	3,582
Non-employment Costs	12,318	13,162
inc. depreciation costs	2,193	2,223
Tax	441	574
Total	15,821	17,319

## (8) Officers and Employee Conditions

	Fiscal 2011	Fiscal 2012
Officers	13	14
Directors	9	10
Auditors	4	4
Employees	292	328
Total	305	342

(Note) Employees do not include non-regular or temporary employees, and employees seconded from Rakuten Bank, Ltd to other companies have been removed while employees from other companies seconded to Rakuten Bank, Ltd. have been added.