

# Rakuten Bank, Ltd.

## Annual Financial Report (Non-consolidated) for Fiscal 2013

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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. Non-consolidated Results for the Fiscal Year Ended March 31, 2014 (April 1, 2013 to March 31, 2014)

### (1) 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, 2014	45,453	10.2	7,518	(9.1)	7,446	(36.7)
March 31, 2013	41,221	7.7	8,279	25.0	11,782	3.6

	Net income per share	Diluted net income per share	Net income on own capital	Current expenses to current income	Deposits
	JPY	JPY	%	%	JPY million
March 31, 2014	3,169.54	— —	12.8	83.4	1,016,551
March 31, 2013	5,014.84	— —	23.7	79.9	836,247

(Reference) Equity in Income from Investments in Affiliates: Fiscal 2013 - Fiscal 2012 -

### (2) Financial Position

	Total assets	Total net assets	Own capital ratio	Total net assets per share
	JPY million	JPY million	%	JPY
March 31, 2014	1,105,369	61,692	5.5	26,257.79
March 31, 2013	922,095	54,187	5.8	23,063.63

(Reference) Own capital: Fiscal 2013 JPY 61,692 MM Fiscal 2012 JPY 54,187MM

(Note 1) 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.

### (3) 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, 2014	19,483	31,093	(1,000)	210,341
March 31, 2013	(9,957)	93,969	(14)	160,764

## 2. Dividends Position

(Record date)	Dividend per share					Total dividend (annual)	Dividend payout ratio	Dividend to net asset ratio
	end of Q1	end of Q2	end of Q3	end of Q4	annual			
	JPY	JPY	JPY	JPY	JPY	JPY million	%	%
March 31, 2013	—	0.00	—	0.00	0.00	—	—	—
March 31, 2014	—	0.00	—	0.00	0.00	—	—	—
March 31, 2015 (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, 2015 (April 1, 2014-March 31, 2015)

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 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

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

① Total stocks outstanding including treasury stocks	March 31, 2014	2,349,484 shares	March 31, 2013	2,349,484 shares
② Treasury stocks	March 31, 2014	— shares	March 31, 2013	— shares
③ Average outstanding stocks	March 31, 2014	2,349,484 shares	March 31, 2013	2,349,484 shares

## 2. Non-consolidated Financial Statements

### (1) Non-consolidated Balance Sheet

(Unit: JPY million)

	As of March 31, 2013	As of March 31, 2014
<b>Assets</b>		
Cash and due from banks	160,764	222,341
Due from banks	160,764	222,341
Call loans	48,000	45,000
Monetary claims bought	252,447	350,027
Money held in trust	205	—
Marketable securities	209,583	177,513
Government bonds	50,091	58,305
Municipal bonds	7,035	—
Short-term bonds	16,998	16,994
Corporate bonds	22,573	13,898
Equity securities	0	0
Other securities	112,884	88,314
Loans and bills discounted	199,785	258,516
Term loans	15,172	16,738
Overdraft facilities	184,612	241,777
Foreign exchange	2,527	5,717
Due to foreign banks	2,527	5,717
Other assets	28,038	27,776
Domestic exchange settlement accounts, debit	5,244	4,406
Prepaid expenses	202	296
Accrued income	2,080	2,387
Initial margins of futures markets	8,241	8,185
Derivatives other than for trading	6,333	5,856
Other assets	5,936	6,644
Property, plant and equipment	783	1,144
Building	166	185
Other property, plant and equipment	617	959
Intangible assets	6,614	6,493
Software	6,111	6,048
Software-in-progress	501	443
Other intangible assets	1	1
Deferred tax assets	9,923	10,605
Customer liabilities for acceptances and guarantees	3,848	381
Allowance for doubtful accounts	(425)	(148)
<b>Total assets</b>	<b>922,095</b>	<b>1,105,369</b>

	As of March 31, 2013	As of March 31, 2014
<b>Liabilities</b>		
Deposits	836,247	1,016,551
Ordinary deposits	448,395	567,330
Term deposits	317,143	388,948
Other deposits	70,708	60,272
Borrowed money	100	500
Borrowomgs from other banks	100	500
Bonds payable	5,000	4,000
Other liabilities	22,411	21,913
Domestic exchanges settlement account, credit	5,400	3,853
Income taxes payable	377	595
Accrued expenses	5,299	5,464
Unearned income	209	457
Valuation margins of future markets	8,248	8,188
Derivatives other than for trading	1,908	2,556
Other liabilities	966	797
Reserve for bonus	155	192
Reserve for points	125	122
Reserve for reimbursement of deposits	0	0
Contingency loss provision	19	15
Financial instruments transaction liability reserve	19	15
Acceptances and guarantees	3,848	381
<b>Total liabilities</b>	<b>867,907</b>	<b>1,043,677</b>
<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	25,676	33,123
Voluntary reserves	25,676	33,123
Retained earnings brought forward	25,676	33,123
Total shareholder equity	54,098	61,545
Valuation difference on available-for-sale securities	89	146
Total valuation and translation adjustments	89	146
<b>Total net assets</b>	<b>54,187</b>	<b>61,692</b>
<b>Total liabilities and net assets</b>	<b>922,095</b>	<b>1,105,369</b>

## (2) Non-consolidated Statement of Income

(Unit: JPY million)

	For the fiscal year ending March 31, 2013	For the fiscal year ending March 31, 2014
Ordinary income	41,221	45,453
Interest income	22,401	28,108
Interest on loans and discounts	16,616	21,696
Interest and dividends on securities	2,279	1,655
Call loan interest	78	124
Interest on due from banks	123	137
Other interest received	3,303	4,494
Fees and commissions	13,847	14,596
Commission received on exchange transactions	3,647	4,040
Other fees and commissions income	10,199	10,556
Other ordinary income	4,920	2,303
Profit on foreign exchange	1,250	1,087
Gain on sale of government and other bonds	2,765	—
Gain on redemption of government and other bonds	26	—
Derivatives other than for trading revenue	643	1,212
Other ordinary income	234	3
Other income	51	444
Gain on investment in money held in trust	3	0
Reversal of allowance for doubtful receivables	—	273
Other Income	47	170
Ordinary expenses	32,941	37,935
Interest expenses	2,039	2,230
Interest on deposits	1,953	2,157
Call money interest	0	0
Interest on borrowings	0	0
Bond interest	85	71
Fees and commissions expense	13,236	16,441
Exchange fees paid	1,716	1,983
Other fees and commissions expense	11,519	14,458
Other operating expense	262	—
Loss on sale of government and other bonds	220	—
Loss on redemption of government and other bonds	42	—
General and administrative expenses	17,319	19,160
Other expenses	83	102
Provision on loss for doubtful accounts	40	—
Loss on sale of equity	11	—
Loss on write-down of equity	11	—
Other expenses	20	102
Ordinary profit	8,279	7,518
Extraordinary profit	1,551	4
Transfer from reserve for financial products transaction liabilities	—	4
Other extraordinary profit	1,551	—
Extraordinary losses	116	38
Loss on disposal of property and equipment	114	38
Transfer to reserve for financial products transaction liabilities	2	—
Net Income before taxes	9,714	7,484
Provision for Income and other taxes	339	752
Adjustment to income and other taxes	(2,407)	(714)
Total income and other taxes	(2,067)	37
Current net income	11,782	7,446

## (3) Non-consolidated Cashflow Statement

(Unit: JPY million)

	For the fiscal year ending March 31, 2013	For the fiscal year ending March 31, 2014
Cash flows from operating activities:		
Income before income taxes and others	9,714	7,484
Depreciation	2,191	2,370
Increase (decrease) in allowance for doubtful accounts	(771)	(276)
Increase (decrease) in reserve for bonuses	7	37
Increase (decrease) in reserve for loyalty award credits	32	(3)
Increase (decrease) in other reserves	2	(4)
Interest income recognized on statement of income	(22,401)	(28,108)
Interest expenses recognized on statement of income	2,039	2,230
Losses (gains) on securities	(2,506)	—
Losses (gains) on money held in trust	(3)	(0)
Foreign exchange losses (gains)	(1,586)	(1,397)
Losses (gains) on sales of fixed assets	114	38
Net decrease (increase) in loans and bills discounted	(35,686)	(58,730)
Net increase (decrease) in deposits	77,894	180,304
Net increase (decrease) in borrowed money	100	400
Net decrease (increase) in due from banks exc. cash equivalents	3,000	(12,000)
Net decrease (increase) in call loans and others	(24,000)	3,000
Net decrease (increase) in foreign exchange position(assets)	(751)	(3,189)
Net decrease (increase) in monetary claims bought	(37,123)	(97,580)
Interest income (cash basis)	21,880	27,597
Interest expenses (cash basis)	(2,296)	(1,967)
Others	228	(185)
Subtotal	(9,905)	20,018
Income taxes paid	(51)	(534)
Net cash provided by (used in) operating activities	(9,957)	19,483
Cash flows from investing activities:		
Purchase of securities	(174,983)	(166,267)
Proceeds from sales of securities	118,262	—
Proceeds from redemption of securities	153,588	199,921
Decrease in money held in trust	413	205
Purchase of tangible fixed assets	(279)	(566)
Purchase of intangible fixed assets	(3,031)	(2,200)
Net cash provided by (used in) investment activities	93,969	31,093
Cash flows from financing activities:		
Proceeds from issuance of subordinated debenture	—	4,000
Expenses from issuance of subordinated debenture	—	(5,000)
Purchases of treasury stock	(14)	—
Net cash provided by (used in) financing activities	(14)	(1,000)
Net increase (decrease) in cash and cash equivalents	83,997	49,576
Cash and cash equivalents at beginning of period	76,766	160,764
Cash and cash equivalents at end of period	160,764	210,341

### 3. Other Financial Information

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

(Unit: JPY million)

	As of March 31, 2013	As of March 31, 2014
Claims in bankruptcy and reorganization, and similar claims	65	95
Doubtful claims	36	60
Substandard claims	—	—
Normal claims	207,206	265,882
Total	207,308	266,037

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

(2) Non-consolidated Capital Adequacy Ratio (Japanese domestic standard)

(Unit: JPY million)

	As of March 31, 2013	As of March 31, 2014
Capital adequacy ratio	13.35%	—%
Basic items (Tier 1) ratio	12.46%	—%
Total capital	57,940	—
Tier 1 capital	54,098	—
Total required capital	17,356	—

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

	As of March 31, 2013	As of March 31, 2014
Capital adequacy ratio	—%	11.16%
Total capital	—	65,573
Total required capital	—	23,582

(Note) Reported based on Financial Service Agency Article 7 (2014).

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

○ Valuation Difference

(Unit: JPY million)

	As of March 31, 2013				As of March 31, 2014			
	Market value	Valuation difference			Market value	Valuation difference		
		Profit	Loss			Profit	Loss	
Other marketable securities	363,536	271	893	621	377,113	362	744	381
Equity	—	—	—	—	—	—	—	—
Bonds	89,663	127	137	10	89,198	133	135	1
Other	273,873	143	755	611	287,914	228	609	380

(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, 2013				As of March 31, 2014			
	Book value	Unrealized profit and loss			Book value	Unrealized profit and loss		
		Profit	Loss			Profit	Loss	
Bonds held to maturity	23,535	768	768	—	16,500	531	531	—

## (4) Derivative Transactions

## ① Interest Rate-related Transactions

(Unit: JPY million)

Category	Type	As of March 31, 2013			As of March 31, 2014		
		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	209,339	4	4	268,600	221	221
	Interest rate options	—	—	—	—	—	—
	Other	—	—	—	—	—	—
	Total			4			221

(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, 2013			As of March 31, 2014		
		Contract value	Market value	Valuation profit/loss	Contract value	Market value	Valuation profit/loss
Exchange	Currency futures	—	—	—	—	—	—
	Currency options	—	—	—	—	—	—
OTC	Currency swap	—	—	—	—	—	—
	FX forwards	114,062	2,801	2,801	83,024	1,226	1,226
	Currency options	—	—	—	218	—	—
	Other	—	—	—	—	—	—
	Total			2,801			1,226

(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

## (5) Margin Conditions

(Unit: %)

	As of March 31, 2013	As of March 31, 2014
Investment yield	2.66	2.85
Fundraising cost	2.41	2.28
Overall investment spread	0.25	0.57
Overall investment spread	0.25	0.23
Overall interest spread	2.41	2.62

## (6) Deposit Conditions

(Unit: JPY million)

	As of March 31, 2013	As of March 31, 2014
Ordinary deposits	448,395	567,330
Term deposits	317,143	388,948
Other deposits	70,708	60,272
Total	836,247	1,016,551

## (7) 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, 2013	190,662	12,638	4,872	108,970	317,143
As of March 31, 2014	268,099	6,379	6,667	107,801	388,948

## (8) General and Administrative Expense Conditions

(Unit: JPY million)

	Fiscal 2012	Fiscal 2013
Employment costs	3,582	4,415
Non-employment costs	13,162	14,144
inc. depreciation costs	2,223	2,372
Tax	574	600
Total	17,319	19,160

## (9) Officers and Employee Conditions

	Fiscal 2012	Fiscal 2013
Officers	14	12
Directors	10	9
Auditors	4	3
Employees	328	395
Total	342	407

(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.