

Rakuten Bank, Ltd.

Annual Financial Report (Consolidated) for Fiscal 2014

Table of Contents

1. Consolidated Results for the Fiscal Year Ended March, 31, 2015	1
(April, 1, 2014 to March, 31, 2015)	
2. Dividends Position	1
3. Forecasts for the Fiscal Year Ending March, 31, 2016	1
4. Consolidated Financial Statements	3
2(1) Consolidated Balance Sheet	3
2(2) Consolidated Statement of Income	4
2(3) Consolidated Cashflow Statement	5
5. Non-consolidated Financial Statements	6
2(1) Non-consolidated Balance Sheet	6
2(2) Non-consolidated Statement of Income	8
6. Other Financial Information	9

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, 2015 (April, 1, 2014 to March, 31, 2015)

(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, 2015	54,165	—	11,287	—	8,559	—

	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, 2015	3,643.07	— —	24.3	1.6	20.8

(Reference) Equity in Income from Investments in Affiliates: Fiscal 2014 - Fiscal 2013 -

(2) Consolidated Financial Position

	Total assets	Total net assets	Own capital ratio	Total net assets per share
	JPY million	JPY million	%	JPY
March 31, 2015	1,341,915	70,240	5.2	29,896.29

(Reference) Own capital: Fiscal 2014 JPY 70,240 MM Fiscal 2013 JPY — MM

(Note 1) The "own capital ratio" is calculated by dividing (total net assets – new share warrant – 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 the end of fiscal year
	JPY million	JPY million	JPY million	JPY million
March 31, 2015	92,958	(5,673)	—	297,641

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, 2014	— —	0.00	— —	0.00	0.00	—	—	—
March, 31, 2015	— —	0.00	— —	0.00	0.00	—	—	—
March, 31, 2016 (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, 2016 (April, 1, 2015 - March, 31, 2016)

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 period: Yes

Newly included: 1 (company) The Trans Value Trust Company, Limited

Excluded: N/A

(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, 2015	2,349,484 shares	March, 31, 2014	2,349,484 shares
② Treasury stocks	March, 31, 2015	— shares	March, 31, 2014	— shares
③ Average outstanding stocks	March, 31, 2015	2,349,484 shares	March, 31, 2014	2,349,484 shares

(Summary of non-consolidated financial data)

1. Non-consolidated Results for the Fiscal Year Ended March, 31, 2015

(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, 2015	54,005	18.8	11,209	49.0	8,485	13.9
March, 31, 2014	45,453	10.2	7,518	(9.1)	7,446	(36.7)

	Net income	Diluted net income
	per share	per share
	JPY	JPY
March, 31, 2015	3,611.52	— —
March, 31, 2014	3,169.54	— —

(2) Non-consolidated Financial Position

	Total assets	Total net assets	Own capital ratio	Total net assets
	JPY million	JPY million	%	per share
March 31, 2015	1,341,833	70,138	5.2	29,852.53
March 31, 2014	1,105,369	61,692	5.5	26,257.79

(Reference) Own capital: Fiscal 2014 JPY 70,138 MM Fiscal 2013 JPY 61,692MM

(Note 1) The "own capital ratio" is calculated by dividing (total net assets – new share warrant) 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.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Unit: JPY million)

As of

March, 31, 2015

	As of March, 31, 2015
Assets	
Cash and due from banks	309,641
Call loans	23,000
Monetary claims bought	427,515
Marketable securities	181,202
Loans and bills discounted	354,449
Foreign exchange	776
Other assets	28,949
Property, plant and equipment	928
Building	81
Other property, plant and equipment	846
Intangible assets	6,137
Software	5,132
Software-in-progress	658
Goodwill	345
Other intangible assets	1
Deferred tax assets	9,137
Customer liabilities for acceptances and guarantees	434
Allowance for doubtful accounts	(256)
Total assets	1,341,915
Liabilities	
Deposits	1,246,757
Borrowed money	550
Foreign exchange	36
Bonds payable	4,000
Other liabilities	19,480
Reserve for bonus	262
Reserve for points	141
Reserve for reimbursement of deposits	1
Contingency loss provision	9
Acceptances and guarantees	434
Total liabilities	1,271,675
Net assets	
Common stock	25,954
Capital surplus	2,468
Retained earnings	41,682
Total Shareholder Equity	70,104
Valuation difference on available-for-sale securities	136
Total valuation and translation adjustments	136
Total net assets	70,240
Total liabilities and net assets	1,341,915

(2) Consolidated Statement of Income

(Unit: JPY million)

	For the fiscal year ending March, 31, 2015
Ordinary income	54,165
Interest income	34,606
Interest on loans and discounts	27,678
Interest and dividends on securities	1,123
Call loan interest	56
Interest on due from banks	144
Other interest received	5,603
Fees and commissions	16,343
Other ordinary income	2,792
Other income	281
Trust fee	141
Ordinary expenses	42,877
Interest expenses	2,557
Interest on deposits	2,505
Call money interest	8
Interest on borrowings	1
Bond interest	43
Fees and commissions expense	20,389
Other operating expense	318
General and administrative expenses	19,465
Other expenses	147
Provision on loss for doubtful accounts	101
Loss on write-off of equity	6
Other expenses	39
Ordinary profit	11,287
Extraordinary profit	5
Transfer from reserve for financial products transaction liabilities	5
Extraordinary losses	574
Loss on disposal of property and equipment	278
Impairment loss	252
Other extraordinary loss	44
Net Income before taxes	10,718
Provision for Income and other taxes	660
Adjustment to income and other taxes	1,498
Total income and other taxes	2,159
Net Income before Adjustment for Minority Shareholders	8,559
Current net income	8,559

(3) Consolidated Cashflow Statement

(Unit: JPY million)

	For the fiscal year ending March, 31, 2015
Cash flows from operating activities:	
Income before income taxes and others	10,718
Depreciation	2,421
Amortization of goodwill	8
Increase (decrease) in allowance for doubtful accounts	100
Increase (decrease) in reserve for bonuses	70
Increase (decrease) in reserve for loyalty award credits	18
Increase (decrease) in other reserves	0
Interest income recognized on statement of income	(34,606)
Interest expenses recognized on statement of income	2,557
Foreign exchange losses (gains)	(854)
Losses (gains) on sales of fixed assets	278
Net decrease (increase) in loans and bills discounted	(95,933)
Net increase (decrease) in deposits	230,206
Net increase (decrease) in borrowed money	30
Net decrease (increase) in call loans and others	22,000
Net decrease (increase) in foreign exchange position(assets)	4,941
Net decrease (increase) in foreign exchange position(liabilities)	36
Net decrease (increase) in monetary claims bought	(77,487)
Interest income (cash basis)	34,085
Interest expenses (cash basis)	(2,858)
Others	(1,942)
Subtotal	93,793
Income taxes paid	(834)
Net cash provided by (used in) operating activities	92,958
Cash flows from investing activities:	
Purchase of securities	(264,783)
Proceeds from redemption of securities	261,672
Purchase of tangible fixed assets	(295)
Purchase of intangible fixed assets	(1,868)
Purchase of additional equity in subsidiary	(399)
Net cash provided by (used in) investment activities	(5,673)
Cash flows from financing activities:	
Net cash provided by (used in) financing activities	—
Net increase (decrease) in cash and cash equivalents	87,284
Cash and cash equivalents at the beginning of period	210,341
Cash and cash equivalents at the beginning of period with new consolidation	15
Cash and cash equivalents at the end of period	297,641

5. Non-consolidated Financial Statements

(1) Non-consolidated Balance Sheet

(Unit: JPY million)

	As of March, 31, 2014	As of March, 31, 2015
Assets		
Cash and due from banks	222,341	309,640
Cash	—	0
Due from banks	222,341	309,640
Call loans	45,000	23,000
Monetary claims bought	350,027	427,535
Marketable securities	177,513	181,643
Government bonds	58,305	25,807
Short-term bonds	16,994	24,496
Corporate bonds	13,898	81,550
Equity securities	0	490
Other securities	88,314	49,298
Loans and bills discounted	258,516	354,449
Term loans	16,738	60,731
Overdraft facilities	241,777	293,718
Foreign exchange	5,717	776
Due to foreign banks	5,717	776
Other assets	27,776	28,747
Domestic exchange settlement accounts, debit	4,406	4,646
Prepaid expenses	296	424
Accrued income	2,387	2,832
Initial margins of futures markets	8,185	0
Derivatives other than for trading	5,856	5,574
Other assets	6,644	15,269
Property, plant and equipment	1,144	927
Building	185	80
Other property, plant and equipment	959	846
Intangible assets	6,493	5,791
Software	6,048	5,132
Software-in-progress	443	658
Other intangible assets	1	0
Deferred tax assets	10,605	9,137
Customer liabilities for acceptances and guarantees	381	434
Allowance for doubtful accounts	(148)	(249)
Total assets	1,105,369	1,341,833

	As of March, 31, 2014	As of March, 31, 2015
Liabilities		
Deposits	1,016,551	1,246,819
Ordinary deposits	567,330	686,854
Term deposits	388,948	507,265
Other deposits	60,272	52,699
Borrowed money	500	550
Borrowomgs from other banks	500	550
Foreign exchanges	—	36
Foreign bills payable	—	36
Bonds payable	4,000	4,000
Other liabilities	21,913	19,443
Domestic exchanges settlement account, credit	3,853	3,968
Income taxes payable	595	417
Accrued expenses	5,464	5,601
Unearned income	457	451
Valuation margins of future markets	8,188	3,903
Derivatives other than for trading	2,556	3,103
Other liabilities	797	1,996
Reserve for bonus	192	259
Reserve for points	122	141
Reserve for reimbursement of deposits	0	1
Contingency loss provision	15	9
Financial instruments transaction liability reserve	15	9
Acceptances and guarantees	381	434
Total liabilities	1,043,677	1,271,695
Net assets		
Common stock	25,954	25,954
Capital surplus	2,468	2,468
Capital surplus reserve	2,468	2,468
Retained earnings	33,123	41,608
Voluntary reserves	33,123	41,608
Retained earnings brought forward	33,123	41,608
Total shareholder equity	61,545	70,030
Valuation difference on available-for-sale securities	146	107
Total valuation and translation adjustments	146	107
Total net assets	61,692	70,138
Total liabilities and net assets	1,105,369	1,341,833

(2)Non-consolidated Statement of Income

(Unit: JPY million)

	For the fiscal year ending March, 31, 2014	For the fiscal year ending March, 31, 2015
Ordinary income	45,453	54,005
Interest income	28,108	34,606
Interest on loans and discounts	21,696	27,678
Interest and dividends on securities	1,655	1,123
Call loan interest	124	56
Interest on due from banks	137	144
Other interest received	4,494	5,603
Fees and commissions	14,596	16,325
Commission received on exchange transactions	4,040	4,790
Other fees and commissions income	10,556	11,534
Other ordinary income	2,303	2,792
Profit on foreign exchange	1,087	1,529
Derivatives other than for trading revenue	1,212	1,257
Other ordinary income	3	5
Other income	444	280
Gain on investment in money held in trust	0	—
Reversal of allowance for doubtful receivables	273	—
Other Income	170	280
Ordinary expenses	37,935	42,795
Interest expenses	2,230	2,557
Interest on deposits	2,157	2,505
Call money interest	0	8
Interest on borrowings	0	0
Bond interest	71	43
Fees and commissions expense	16,441	20,387
Exchange fees paid	1,983	2,297
Other fees and commissions expense	14,458	18,090
Other operating expense	—	318
Other operating expense	—	318
General and administrative expenses	19,160	19,384
Other expenses	102	146
Provision on loss for doubtful accounts	—	101
Other expenses	102	45
Ordinary profit	7,518	11,209
Extraordinary profit	4	5
Transfer from reserve for financial products transaction liabilities	4	5
Extraordinary losses	38	574
Loss on disposal of property and equipment	38	282
Impairment loss	—	252
Other extraordinary loss	—	39
Net Income before taxes	7,484	10,640
Provision for Income and other taxes	752	656
Adjustment to income and other taxes	(714)	1,498
Total income and other taxes	37	2,155
Current net income	7,446	8,485

6. Other Financial Information

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

(Unit: JPY million)

	As of March, 31, 2014	As of March, 31, 2015
Claims in bankruptcy and reorganization, and similar claims	95	123
Doubtful claims	60	60
Substandard claims	—	—
Normal claims	265,882	357,292
Total	266,037	357,476

(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, 2014	As of March, 31, 2015
Capital adequacy ratio	—%	10.22%
Total capital	—	71,219
Total required capital	—	27,857

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

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

	As of March, 31, 2014	As of March, 31, 2015
Capital adequacy ratio	11.16%	10.26%
Total capital	65,573	71,493
Total required capital	23,582	27,865

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

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

○ Valuation Difference

(Unit: JPY million)

	As of March, 31, 2014				As of March, 31, 2015			
	Market value	Valuation difference			Market value	Valuation difference		
		Profit	Loss			Profit	Loss	
Other marketable securities	377,113	362	744	381	174,122	127	178	51
Equity	—	—	—	—	—	—	—	—
Bonds	89,198	133	135	1	131,854	80	100	19
Other	287,914	228	609	380	42,267	46	78	31

(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, 2014				As of March, 31, 2015			
	Book value	Unrealized profit and loss			Book value	Unrealized profit and loss		
		Profit	Loss			Profit	Loss	
Bonds held to maturity	16,500	531	531	—	12,500	593	593	—

(5) Derivative Transactions

① Interest Rate-related Transactions

(Unit: JPY million)

Category	Type	As of March, 31, 2014			As of March, 31, 2015		
		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	268,600	221	221	264,191	46	46
	Interest rate options	—	—	—	—	—	—
	Other	—	—	—	—	—	—
	Total			221			46

(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, 2014			As of March, 31, 2015		
		Contract value	Market value	Valuation profit/loss	Contract value	Market value	Valuation profit/loss
Exchange	Currency futures	—	—	—	—	—	—
	Currency options	—	—	—	—	—	—
OTC	Currency swap	—	—	—	—	—	—
	FX forwards	83,024	1,226	1,226	310,319	711	711
	Currency options	218	—	—	411	—	—
	Other	—	—	—	—	—	—
	Total			1,226			711

(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

(6) Margin Conditions

(Unit: %)

	Fiscal 2013	Fiscal 2014
Investment yield	2.85	2.97
Fundraising cost	2.28	2.00
Overall investment spread	0.57	0.97
Overall investment spread	0.23	0.23
Overall interest spread	2.62	2.74

(7) Deposit Conditions

(Unit: JPY million)

	As of March, 31, 2014	As of March, 31, 2015
Ordinary deposits	567,330	686,854
Term deposits	388,948	507,265
Other deposits	60,272	52,699
Total	1,016,551	1,246,819

(8) 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, 2014	268,099	6,379	6,667	107,801	388,948
As of March, 31, 2015	392,188	13,983	17,421	83,670	507,265

(9) General and Administrative Expense Conditions

(Unit: JPY million)

	Fiscal 2013	Fiscal 2014
Employment costs	4,415	4,923
Non-employment costs	14,144	13,567
inc. depreciation costs	2,372	2,426
Tax	600	893
Total	19,160	19,384

(10) Officers and Employee Conditions

	Fiscal 2013	Fiscal 2014
Officers	12	9
Directors	9	6
Auditors	3	3
Employees	395	421
Total	407	430

(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.