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Rakuten Bank

**Annual Report**  
Year ended March 31, 2016

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## Message from the CEO

# To all our stakeholders,

I would like to take this opportunity to express my deepest appreciation to all our stakeholders for the continued support and interest you have extended to Rakuten Bank. We have prepared our financial statement for fiscal 2015 in our 2016 Annual Report for your review.

During fiscal 2015, uncertainty in the global economy increased due to decline in the economy in China and emerging countries despite the steady recovery in the US economy. In Japan, we saw increasing prices as a sign of an overcoming of deflation resulting from the Bank of Japan's continuous ultra-easy monetary policy, however, the Japanese economy did not achieve a full-scale recovery from the existing stagnant economy because we still could not overcome downward pressure on the economy after the consumption tax was raised. Although the Bank of Japan introduced a negative interest rate policy in January this year, it is considered that it will take some time to determine its full effect.

Under this economic environment, Rakuten Bank steadily expanded its business in fiscal 2015. Rakuten Bank became the first Internet bank in Japan to exceed 5.0 million accounts in May 2015. Deposit balance also reached ¥1,501.1 billion as of 31 March, 2016. The balance of Rakuten Bank Super Loan (card loan) exceeded ¥300 billion in May 2015 and the balance of Rakuten Bank Home Loan exceeded ¥100 billion in March 2016, which contributed to the balance of loans to increase significantly to ¥475.1 billion for the past year (+34.04%).

As a result, our consolidated ordinary income was ¥64.5 billion, consolidated ordinary profit was ¥15.7 billion and net income attributable to owners of parent was ¥10.1 billion in fiscal 2015. We have also maintained the consolidated capital adequacy ratio at a high level of 10.25%.

In 2015, FinTech, a combination of "finance" and "technology," drew a great deal of attention. In the wake of the upsurge of FinTech, it is expected the scope of business will expand for financial institutions or new entrants to the banking services from outside our industry. We have been committed to making the most of the Internet to create and offer convenient services. We believe the trend of FinTech will be the tailwind for us, and we have strived to provide more new convenient services to our customers to realize FinTech.

In addition, we have put even greater effort into improving convenience of our smartphone services in 2015 on the basis that the key device of the customers who use Internet banking has rapidly evolved from personal computer into smartphone. We have continuously improved Rakuten Bank App so that our customers can use a wide range of services easily through smartphone. Furthermore, we introduced fingerprint authentication and 3D Touch (quick action) log-in function to our app, the first for Japanese banks. We also launched Rakuten Bank Dream App to meet customers' demands for buying BIG, toto and Lottery through a smartphone app.

In addition, we believe it is one of our important roles to promote a cashless society. In 2015, we started offering highest-level debit card services by issuing newly launched Rakuten Bank Debit Card (JCB) for individual customers which we give back a 1% Rakuten Super Point based on usage amount and Rakuten Bank Business Debit Card (JCB) which we give 1% cashback based on usage amount, in addition to our existing Rakuten Bank Debit Card (Visa).

In 2015, we also modified our Happy Program to make it easier to understand for customers, and we newly added a certain number of free transfer fees to other bank as preferential privileges. While many other banks lowered deposit interest rates after BoJ introduced a negative interest policy, we maintained our interest rates for ordinary deposits and Money Bridge for individual customers, by stepping up more management efforts, such as cost reduction, to assist our customers' asset management.

We will continue to take full advantage of technology and make our best effort to provide easy and convenient services at an acceptable price. We strive to expand our operations, improve our business performance and maximize our corporate value. We sincerely ask for your continued understanding and support.

July 2016

President and CEO

**Hiroyuki Nagai**

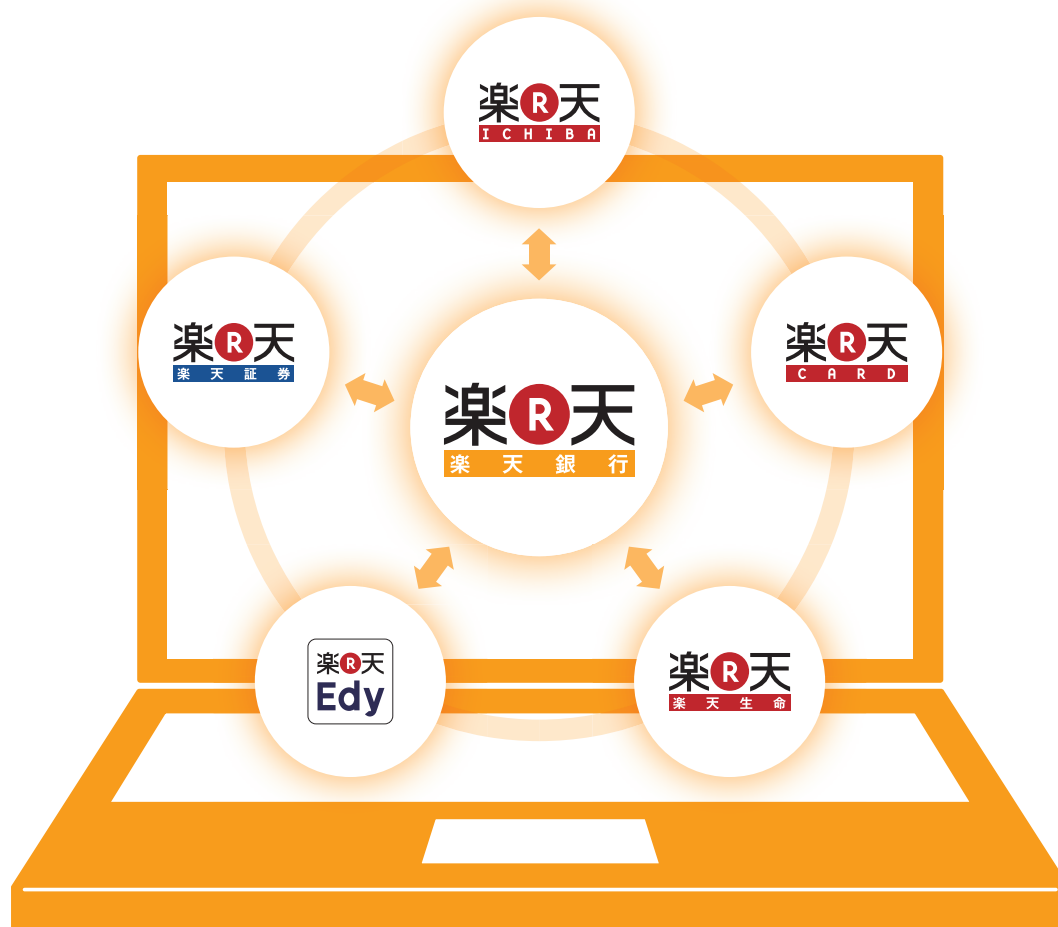
## Advantages of Rakuten Bank

# Innovative services fulfilling the potential of the Internet

### We offer various services that utilize the attributes of the Internet.

Since our bank began, we have aimed to provide convenient and secure payment services as a pioneer of Internet banking. Open 24 hours a day, with access via the Internet, smartphones and mobile phones, we provide settlement services and a wide range of services including financial products and various loans. In addition, as a member of the Rakuten Group, we also provide value-added services. Customers

can earn Rakuten Super Points by using our banking services, and the Money Bridge, an account linkage service between Rakuten Bank and Rakuten Securities that offers high interest rates. We also have been advancing alliances with other companies in the Rakuten Group such as Rakuten Card, Rakuten Life Insurance and Rakuten Edy to provide more convenient and cost-efficient services.



## ● **Conduct Transactions 24 Hours a Day**

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We are ready to serve anytime via a PC, a smartphone, or a mobile phone. There are no account opening and/or monthly maintenance fees.

## ● **Easy Account Opening Process via a PC, a smartphone, or a mobile phone**

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With no need to fill out long application forms or provide a family seal, our ID verification app makes it possible to receive pictures of ID verification documents from a smartphone camera or mobile phone camera.

## ● **More Convenient Transactions with the Rakuten Bank App**

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With the Rakuten Bank App, it is easy to conduct transactions such as viewing account balances and checking transactions.

## ● **Rakuten Super Points for Various Services**

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By applying for the Happy Program, customers can earn Rakuten Super Points for their transactions. These Rakuten Super Points can be used for transfer fees or purchase at Rakuten Ichiba.

## ● **More than 90,000 ATM available**

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With the station ATM 'PatSat' (from March 2015) and the Bank of Tokyo-Mitsubishi UFJ (from April 2015), Rakuten Bank customers can use more than 90,000 ATMs including Mizuho Bank, AEON Bank, E-Net, Seven Bank, JP Bank, and LAWSON.



# Special Topics from Rakuten Bank

We offer various easy and convenient services for our customers.

**Close UP**

1

Improve convenience for transactions via smartphones

## Accepts fingerprint authentication Easier and more convenient log-in to the home screen!

### Enable quick log-in to Rakuten Bank App without entering the log-in password

You are able to log-in\*<sup>1</sup> to Rakuten Bank App for smartphones by authenticating your registered fingerprint to smartphone for easy and convenient log-in\*<sup>2</sup> without even entering the password. This function is available for both iPhone\*<sup>3</sup> and Android\*<sup>4</sup>.

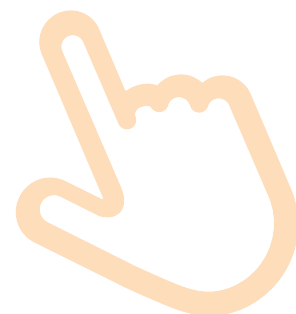


\*<sup>1</sup> Fingerprint authentication is only available to log-in to Rakuten Bank App for smartphones, for transactions such as transfer require entry of security code.

\*<sup>2</sup> Log-in by entering the password is still available.

\*<sup>3</sup> Only available for after iOS8, and after iPhone5s models.

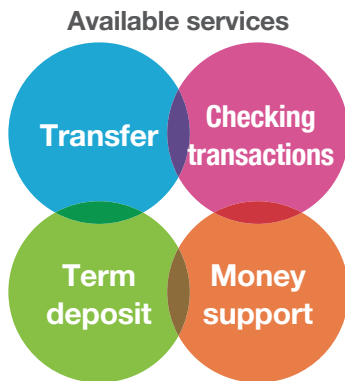
\*<sup>4</sup> Only available for after Android M 6.0, and the models are as follows: Nexus 5X, Nexus 6P, Xperia Z5 (SO-01H, SOV32), Xperia Z5 Compact (SO-02H), Xperia Z5 Premium (SO-03H), Galaxy S6 edge (SCV31) (as of July 1, 2016).



## Easy and convenient log-in for 4 Rakuten Bank App services!

### 3D Touch (quick action) log-in function enables shortcut log-in to the services you need

By using 3D Touch (quick action) log-in function\*1, you can shortcut log-in\*2 to the services you need. You just need to press the icon harder on Rakuten Bank App for smartphones, select displayed service and authenticate iPhone registered fingerprint to Touch ID.



No need to select from the home screen as before, it is **easier** and more **convenient**.\*3



\*1 Available for above iOS9 and iPhone6s (plus) models. This is not available for Android.  
 \*2 Log-in by entering the password is still available.  
 \*3 Entry of security code is required for transactions in each service.

## Purchasing lottery anytime and anywhere via Rakuten Bank Dream App

Rakuten Bank Dream App offers not only normal purchase of BIG, toto, Loto and Numbers but also automatic or reserved purchase as well as quick log-in functions for easier and more convenient purchase than before.

### 3 steps to check winning numbers!

Enhancing functions including reserved, automatic and rely purchase



### What you can do with Rakuten Bank Dream App

#### (1) Purchase

Not only normal, automatic and reserved purchase but also checking purchase history and winning result.

#### (2) Quick log-in

Enables customer to log-in easily by preconfigured fingerprint authentication.

#### (3) Checking transaction details

Enables customer to check ordinary deposit account's latest 50 transactions.

#### (4) Sending ID verification and proof documents

Enables customer to send necessary ID verification documents for account opening application through App.

### Rakuten Bank Dream App Home Screen



\*1 Rakuten Bank Dream App can be downloaded for free from Rakuten App Ichiba.  
 \*2 Rakuten App Ichiba is Rakuten Inc. managed App store for Android terminal.

- The Rakuten Bank App for smartphones which have a fingerprint authentication log-in function can be downloaded for free from App Store or Google Play.
- The Rakuten Bank App for smartphones which have a 3D Touch (quick action) log-in function can be downloaded for free from App Store.
- iPhone and App Store are the trademarks or registered trademarks of Apple Inc. in the United States and other countries.
- Android and Google Play are the trademarks or registered trademarks of Google Inc. in the United States and other countries.

Close UP

2

Cashless,  
easier and more  
convenient

## Point back, no charge for membership fee Rakuten Bank Debit Card (JCB)!

### Convenient to use like cash

Amounts spent in Rakuten Bank Debit Card (JCB) transactions are instantly withdrawn from the registered bank account. Customers can also withdraw money in a local currency from ATMs overseas with a JCB or a Cirrus marking.



Rakuten Bank  
Debit Card  
(JCB)



### What is debit card?

With debit cards, customer can instantly withdraw money from their registered bank account when they make a purchase.

\* Purchases from some merchants are not instantly withdrawn and will be charged later.

### Advantages of Rakuten Bank Debit Card (JCB)

#### 1% point back in Rakuten Super Points

Rakuten Super Points equivalent to 1% of spending are awarded to customers who link Rakuten ID with a Rakuten Bank account. Rakuten Super Points can be used at Rakuten ICHIBA or for services from other Rakuten group companies. In addition, customers who registered for the Happy Program, a customer loyalty program from Rakuten Bank, can also use Rakuten Super Points for a transfer fee.

#### No charge for membership fee or issuing commission

We do not charge membership fee or any issuing commission. Customers who are 16 years old and over and have a Rakuten Bank account can apply for a Rakuten Bank Debit Card (JCB).

#### Enable to use at any JCB merchant around the world

Customers can use at any JCB merchant around the world and pay not only for shopping but also leisure, entertainment, hospitals and public agencies by Rakuten Bank Debit Card (JCB).

\* Customers may not be able to use the card at some merchants which limit card usage.

## Rakuten Bank Debit Card (VISA)



**Rakuten Bank Gold Debit Card (VISA)**  
Fulfilling special benefits and insurance for the Gold Card holders.



**Rakuten Bank Debit Card (VISA)**  
Accepted at authorized VISA merchants all over the world!

## New Rakuten Bank Business Debit Card for corporate customers

### 1% cashback based on usage amount!

Rakuten Bank Business Debit Card (JCB) is available for customers who have Rakuten Bank corporate business account and can be used at any domestic and overseas authorized JCB merchant, including online shops. When customers travel on business or purchase equipment, charges will be instantly withdrawn from the registered Rakuten Bank corporate business account. No need to carry cash around and easy to manage expenses. There is no restriction on the amount of payout, if it is within deposit balance.

\* Amounts spent in some transactions are not instantly withdrawn and will be charged later, or additional debit (or refund) may be made for difference adjustment.

### Advantages of Rakuten Bank Business Debit Card (JCB)

#### 1% cashback based on usage amount

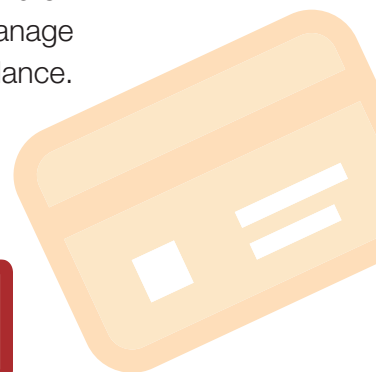
Customers receive cashback equivalent to 1% of spending. The more use, the better deals customers receive.

#### Safe and secure transaction by J/Secure

J/Secure is an authentication service requiring cardholders to enter a password, which is registered to JCB for online shopping in addition to ordinary transaction information such as card number and expiration date.

#### Enable to apply for card by account

Corporate customers which own multiple accounts and also use Account Management Plus service, can apply for Rakuten Bank Business Debit Card (JCB), not only for an administrator of a representative account, but also for each account administrator in the account group.



\* If corporate customers which own multiple accounts apply for Account Management Plus service, customers will be able to use multiple accounts by logging in to the account group. By using multiple account management function in Account Management Plus service, customers will be able to use multiple accounts in one account group.

## Our Products and Services

### Rakuten Group's unique services

Customer loyalty program with Rakuten Super Points

## Happy Program

The Happy Program is Rakuten Bank's customer loyalty program. Customers are assigned a membership tier based on either the customers' balance in Rakuten Bank accounts, or the frequency of usage of our wide range of services such as bank transfers, lotteries and fund transfers for online race betting, and in addition to earning Rakuten Super Points, custom-

ers can enjoy a variety of privileges such as no fees on ATM transactions and bank transfers to other banks. Furthermore, the program was renewed in November 2015 by offering no transfer fees on a certain number of funds transfers to other banks as preferential privileges, as well as expanding the range of target products and services.








	ATM Fee [Free use times]	Transfer Fee to Other Bank [Free use times]	Rakuten Super Points Leverage Rate of Gain	Rakuten Super Points as Transfer Fee
<b>SV</b> Super VIP Balance of ¥3 million or more, or 30 transactions or more	<b>7</b> times/month	<b>3</b> times/month	<b>3</b> times	<b>Payment with points allowed</b>
<b>V</b> VIP Balance of ¥1 million or more, or 20 transactions or more	<b>5</b> times/month	<b>3</b> times/month	<b>3</b> times	
<b>Pr</b> Premium Balance of ¥500 thousand or more, or 10 transactions or more	<b>2</b> times/month	<b>2</b> times/month	<b>2</b> times	
<b>A</b> Advanced Balance of ¥100 thousand or more, or 5 transactions or more	<b>1</b> time/month	<b>1</b> time/month	<b>1</b> time	
<b>B</b> Basic Entry	—	—	<b>1</b> time	

Account linkage service with Rakuten Securities

## Money Bridge

Money Bridge is the account linkage service jointly offered by Rakuten Securities and Rakuten Bank. It is possible to easily transfer funds in real time between bank and securities accounts, almost 24 hours a day. It is a valuable service that includes preferential interest rates on ordinary deposits and the ability to earn Rakuten Super Points on Rakuten Securities

transactions. In addition, for customers with margin transaction accounts, we provide our Investment Anshin service that automatically transfers funds from a customer's Rakuten Bank account to their Rakuten Securities account when the margin guarantee funds ratio decreases or there are insufficient funds to complete a transaction.

<b>Deposit to Bank</b>	<b>Deposit to Rakuten Securities</b>	<b>Order</b>	<b>Asset Management</b>	<b>Withdrawals for Bank Account</b>
Bank ordinary deposit interest is at preferential rate	Do not require Bank ID or password	Earn points on Rakuten Securities transactions too	 <b>Balance Display Service</b>	Real time withdrawal with no fees
<b>Preferential Interest</b>	 <b>Rakuten Bank Easy Transfer</b>	 <b>プログラム</b>	 <b>Investment Anshin Service</b>	 <b>Rakuten Securities Easy Withdrawal</b>
				

## Our Products and Services

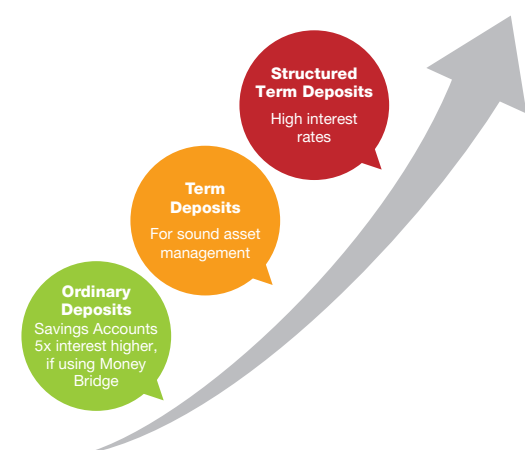
### Savings

Attractively high interest rates and other services

## Yen Deposits (Ordinary deposits/Term deposits/Structured deposits)

By applying for Money Bridge, the account linkage service with Rakuten Securities, customers can receive interest rates that are 5x higher (as of July 1, 2016) on Rakuten Bank's ordinary deposits. In addition, term deposits from as short as 1 week to as long

as 10 years are available, along with structured term deposits which include special maturity options and high interest rates, as we have put together a financial product lineup to meet our customers' diverse needs.



### Lineup of Structured Deposits

#### Structured Term Deposit (Extension of term type) Rakuten Exte Deposit (Step Up)

Term deposit in JPY through which Rakuten Bank can optionally extend the term at a higher interest rate. The maximum deposit term is 10 years, and a higher interest rate is applied when the maturity is renewed. Covered by deposit insurance.\*

\* A part of the interest may not be protected. More details are on our website.

#### Structured Term Deposit (Extension of term type) Rakuten Exte Deposit (Flat)

Term deposit in JPY through which Rakuten Bank can optionally extend the term at a higher interest rate. The maximum deposit term is 10 years, and the favorable interest rate is continually applied when the maturity is renewed. Covered by deposit insurance.\*

\* A part of the interest may not be protected. More details are on our website.

#### Structured Term Deposit (Extension of term type)

#### Rakuten Dual Term Deposit (JPY/Foreign Currency)

Term deposit in JPY with a redeeming currency option that has a higher interest rate than normal term deposits. Deposits in JPY can be redeemed in JPY or a foreign currency on maturity. Covered by deposit insurance.\*

\* A part of the interest may not be protected. This term deposit is payable in a foreign currency and not covered by deposit insurance when the principal and the interest are transferred to a foreign currency ordinary deposit account. More details are on our website.

#### Terms & Conditions

- In principle, early withdrawal is not possible regardless of whether the term is lengthened or shortened.
- In the case where Rakuten Bank grants an exception for compelling circumstances, an early withdrawal penalty will be charged, and there is a high risk that this will result in a loss of principal.
- Thoroughly review the product details and always apply for the products only with excess available funds which have no plan for usage until maturity.
- Please see our website for more details (in Japanese) and carefully confirm each product's detailed description, pre-contract documents, and product warning documents.
- Depending on the judgment of Rakuten Bank, the Rakuten Dual Term Deposit principal and interest can be redeemed in a foreign currency.

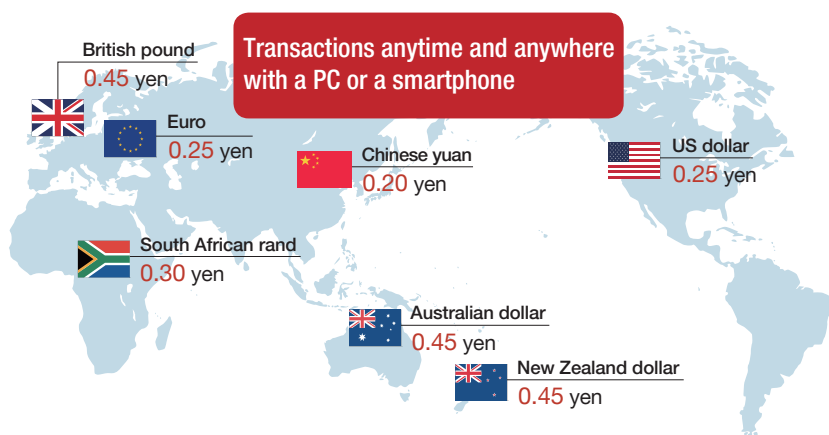
### Currency exchange at competitive rates

## Foreign Currency Deposits (Foreign currency ordinary deposits/Foreign currency term deposits)

Rakuten Bank's exchange rates are linked to prevailing market exchange rates. It is possible to conduct foreign deposit transactions anytime, anywhere 24 hours a day during transaction hours\*1 from a PC or a smartphone. We currently provide 7 currencies (as of July 1, 2016), with low exchange costs\*2 for transactions in each available currency.

\*1 In general, every week from Monday 8:00 am to Saturday 2:59 am

\*2 The stated exchange costs are for individual customers as of July 1, 2016



#### Terms & Conditions

- It is possible that foreign currency deposits will incur a loss of principal due to a loss on foreign exchange due to fluctuations in the exchange rate.
- This product is not covered by deposit insurance.

## Our Products and Services

### Increase savings

Convenient application and transaction via your smartphone

## New Rakuten Bank FX

New Rakuten Bank FX is a foreign exchange service providing one-stop transaction from customer's saving accounts. With a Rakuten Bank account, customers can start transaction after applying for a dedicated

Forex account via a PC and a smartphone. New Rakuten Bank FX also offers 4 different transaction channels to PC, smartphone and mobile phone, and provides a comfortable environment for transactions.

#### 1 23 pair currencies

The New Rakuten Bank FX has not only a wide range of popular currency pairs such as USD/JPY and EUR/JPY, but also cross currencies. TRY/JPY was also added to currency pairs in August 2015.

#### 2 Free transfer, free transaction

Customers can transfer money from their Rakuten Bank ordinary deposit accounts to the dedicated Forex accounts with no charge. Transaction fee is also free of charge.

#### 3 Various transaction channels

New Rakuten Bank FX offers 4 different transaction channels for free.

- "New Rakuten Bank FX powered by MARKET SPEED for Windows"
- "New Rakuten Bank FX powered by iSPEED for smartphone"
- "New Rakuten Bank FX-WEB for Mac and Windows"
- "New Rakuten Bank FX-Mobile WEB for mobile phone"

#### 4 Introducing exchange rate alert function to the transaction tool app New Rakuten Bank FX powered by iSPEED for smartphone

When a currency pair with an alert set in advance reaches an alert condition exchange rate, push notification will be sent without activating the app.

### Convenient services

Supporting customers' asset management!

## Money Support

#### Single interface for all account balances and transaction histories

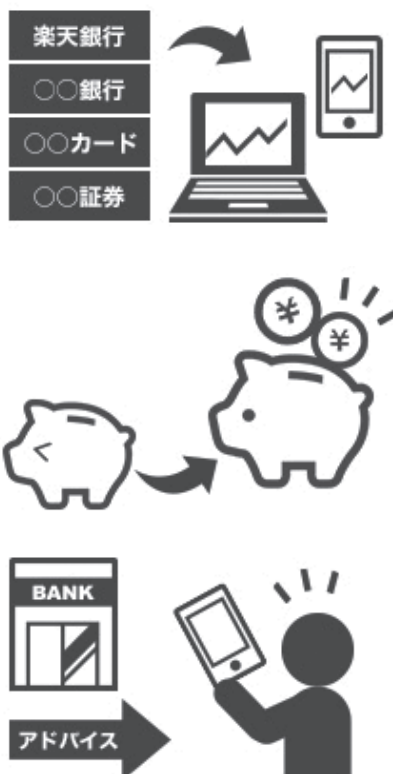
'Money Support' can collectively manage our customers' account balances and transaction histories from around 90 financial institutions including Rakuten Bank, other banks, credit card companies and securities firms.

#### Greater control over cash flows

'Money Support' automatically collects information from financial institutions which enables our customers to understand their net balance at a glance and review its transition.

#### Advisory function

'Money Support' automatically send an advice on how to increase asset to support customers' savings based on their current asset situation.



\* Available for PC and smartphone

## Our Products and Services

### Convenient services

Launched Japan's first money transfer service using Facebook

## Transfer by Facebook

Enables customer to transfer money to friends on their Facebook with Rakuten Bank App.



No account information of the transferee required

Can transfer money to other banks' accounts

Money transfer with a message

Easy viewing transaction history with the 'Payment Graph'

No transfer fee required when transferring to Rakuten Bank accounts linked with Facebook accounts

Easy transaction completed via the Internet with low transaction fee

## International Remittance Services

### 1 Low transaction fee

The remittance fee per a transaction is ¥750 for individuals and ¥1,000 for sole proprietors and corporate customers.\* There are no introductory or monthly fees.

\* There is a fee of ¥1,000 per a transaction if a remitter bears the intermediate fee via a foreign bank. Remittance in Japanese yen for individual customers cost an additional ¥3,000 and ¥2,500 for corporate customers as a lifting charge.

### 2 24-hour transactions via the Internet

The easy transaction process does not require customers to visit a branch or paperwork.

Note: Except 11:50 p.m.-0:10 a.m. weekdays, from 11:50 p.m. on Saturdays until 6 a.m. on Mondays, Dec. 31-Jan. 3 and other times as necessary for system maintenance.

### 3 68 currencies and 200 countries

The personal international remittance service can send 68 currencies to 200 countries. Transactions are completed in one to three business days depending on the currency, the country, and the intermediate bank.

### 4 Launched international remittance receipt service for our individual and sole proprietor customers

International remittance receipt service is now available for our individual and sole proprietor customers who have a Rakuten Bank corporate account, and requires no registration. The transaction fee per receipt is ¥2,450 for individual and sole proprietor customers, and ¥2,000 for corporate customers. A remittance received in a foreign currency can be transferred to a foreign currency ordinary deposit in the same currency\*<sup>1</sup> or to a yen ordinary deposit in Japanese yen.\*<sup>2</sup>

\*<sup>1</sup> A foreign currency ordinary deposit account is required.

\*<sup>2</sup> Our exchange rate will be applied when depositing a foreign currency to a yen ordinary deposit account in Japanese yen.

## Our Products and Services

### Borrowing

Offering a variety of loan services that meet customers' financing needs

## Loan Services

- Card Loan
- Home Loan
- Education Loan
- Travel Loan
- Bridal Loan
- Mortgage Loan

### Advantages of Rakuten Bank Super Loan (card loan)

- Can be used up to 8 million Japanese yen for various purposes
- Low interest rates
- No income certification required for amounts up to 3 million Japanese yen
- No fee required for use of ATMs in the convenience stores. Available 24 hours a day with a PC or a mobile phone
- New customers looking to refinance are also welcome to apply
- Available for full-time homemakers and part-time workers

### Advantages of Rakuten Bank Home Loan (interest rate selection type)

- Customers can choose between either fixed or variable interest rate types
- 0.3% lower interest rates with a Rakuten Bank account for repayment
- Creditor group insurance fee covered by Rakuten Bank. Prepayment and warranty fees not required
- Bridge Loans available
- No branch visits required

### Advantages of Rakuten Bank Education Loan

- Application can be sent via the Internet. Customers can take a picture of required documents with a mobile phone camera, and send it via Rakuten Bank Smartphone App.

\* Customers who do not use Rakuten Bank Smartphone App. are required to send required documents by mail.

- As a general rule, the examination outcome will be available on the next business day. Financing will be available on the next business day at earliest from when we receive the application.

\* Varied on when we receive the application

- Customers can choose variable or fixed interest rates suitable for their plans.

## Our Products and Services

### Entertainment

Chance to win at a maximum of ¥600 million!

## Sports Council Lottery, BIG and toto

Customers can purchase BIG and toto 24 hours a day on the Rakuten Bank website from PCs and smartphones. Prize money will be automatically transferred to Rakuten Bank account. Omakase BIG (reserved purchase) is available to avoid forgetting to purchase.



BIG is a simple lottery in which customers decide how many tickets they want to purchase. The winning ticket is automatically selected by a computer.



Toto is a lottery to guess the results of football games. Beginners can also take advice from the computer in guessing the results.

Complete everything online

## Number-Selection Lotteries LOTO and Numbers

Following Numbers4 and Numbers3, LOTO7, LOTO6 and Mini LOTO can be purchased on the Rakuten Bank website from January 2016. The Automatic Purchase System that customers can choose purchase period and type is available. Prize money will be automatically transferred to Rakuten Bank account. Rakuten Super Points are given based on the amount spent.



Many advantages

## Public Races

Customers can use their account for the public races (horse/boat/bike/auto). Rakuten Super Points are given to the bets on these races.\*

\* Except some races.

## Our Products and Services

### Unique services for corporate customers

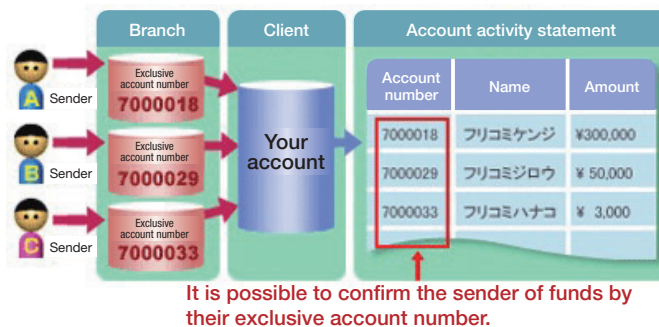
## Multi-Transfer Service

This service makes it possible to send a large volume of transfers easily and cost effectively to Rakuten Bank and other banks. There is no software purchase, system development, introduction or maintenance fee required.



## Rakuten Bank Secured Receipt Service / Rakuten Bank Just Match

It is possible to confirm the sender of funds by their exclusive account number. This increases the efficiency of accounting for funds transferred in and managing accounts receivable.



## Yen Term Deposit

Customers can complete all process such as application and cancellation via the Internet. Customers can choose a term deposit from various terms including the newly added 7 and 10 years, available from November 2015, as well as one week and two weeks or up to 10 years.

## Foreign Currency Term Deposit

Rakuten Bank's exchange rates are linked to prevailing market exchange rates. It is possible to conduct transactions anytime, anywhere 24 hours a day during transaction hours\* from a PC or a mobile phone.

\* In general, every week from Monday 8:00 am to Saturday 2:59 am

## Security

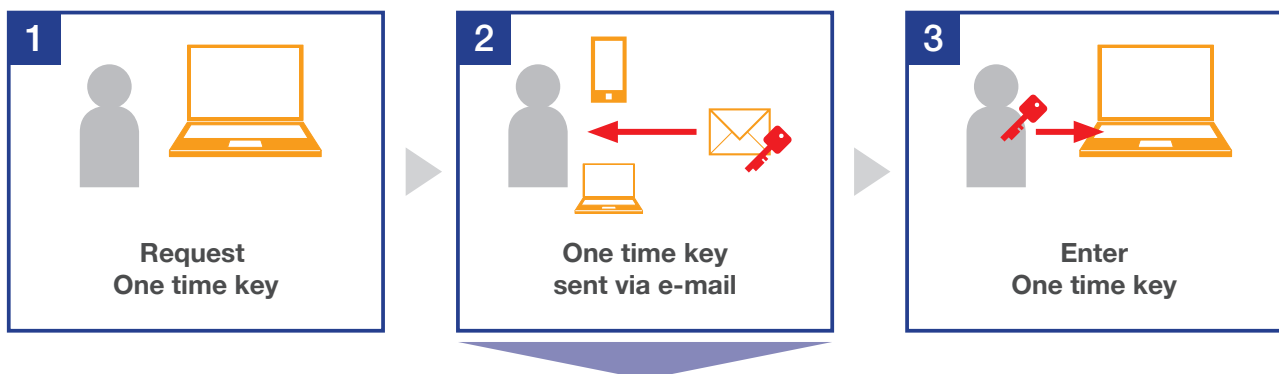
# As an Internet bank, we constantly implement new measures to maintain and improve a strong level of security

### Important Security Measures

## One-Time Authentication

... High-security function where the password changes each time

- >>> Effective in preventing identify theft
- >>> A password (One time key) is issued for each transaction and sent to the e-mail address registered by the customer
- >>> Effective against key loggers and other spyware



We request our customers to register their mobile or smartphone e-mail address to ensure more secure environment for the transaction.

### Rakuten Bank's Security Environment

#### 256-bit SSL Encryption

Private information is encrypted utilizing 256-bit SSL encryption technology, which is the de facto global standard, to prevent the theft and/or alteration of customers' personal information. Our mobile banking services utilize the same level of 256-bit SSL encryption as our online services.

**Advantage** Prevention of theft and/or manipulation of customers' valuable information

#### VeriSign Extended Validation SSL

In order to confirm the existence of a website's operator, a certificate is issued through a strict authentication process in compliance with universal industry standards. As a security countermeasure against fraud related to phishing, which has seen an escalation in damages, we employ VeriSign Japan KK's Extended Validation SSL (EV-SSL).

**Advantage** Prevention of damages from fraud related to phishing

#### Security Questions

When a customer logs into their Rakuten Bank account, an overall analysis of their PC environment is done, and if additional authentication is deemed necessary through the automated system, a security question will be asked to complete the login.

**Advantage** Prevention of logins by third parties via identity theft

#### Timeout

After logging in to Rakuten Bank, if there are no interactions for a certain period of time, the system will automatically log the customer out, preventing possible fraudulent use by third parties.

**Advantage** Prevention of fraudulent use by third parties

## Security

### Services to Further Strengthen Security

#### NEW! Banking Malware Support

Customer support service to address security concerns such as when “a virus infection causes the appearance of false websites” or “a PC might be infected with a virus.”

If necessary, we can investigate our customer’s PC terminal. When required, we will remotely access to our customer’s PC terminal and clean the virus.

**Advantage** Prevention of virus infection.

#### IP Restriction Service

By pre-registering an Internet provider (domain name, IP address), customers can restrict transactions that require authentication to their registered IP addresses.

**Advantage** Restrict transactions that require authentication from outside the registered provider.

#### Security Keyboard

We provide a security keyboard, which utilizes one-time functionality to prevent key loggers and other spyware.

**Advantage** By using the security keyboard, customers do not enter their login passwords or pin code directly on the keyboard, preventing key logging.

#### Mobile Access Restriction

Restriction of login to a specified mobile phone and mobile site/smart phone application.

**Advantage** Prevention of identity theft by third parties.

#### Maximum Limits on Transfers

Customers can choose to set a limit for the available amount for transfer per day (units of ¥1,000).

**Advantage** Minimize the potential loss amount in the case of fraudulent use by third parties.

#### ATM Withdrawal Restriction

Customers can choose to restrict withdrawals to specific ATM alliance partners, set a maximum ATM withdrawal amount, and/or limit the time of day for withdrawals.

**Advantage** Minimize the potential loss amount in the case of damages from a lost and/or stolen card.

#### VISA/JCB Debit Use Restriction

Customers can utilize the optional settings to restrict use of their VISA/JCB debit card and/or set daily usage limits in units of ¥1,000.

**Advantage** Minimize the potential loss amount in the case of damages from a lost and/or stolen card.

#### VISA Authentication Service

Customers can optionally set a password for authentication, on VISA debit use at online shopping member stores that participate in VISA authentication service.

**Advantage** Prevention of fraudulent use by third parties.

#### JCB J/Secure

Authentication service for Internet shopping requiring the registered password at JCB in addition to customers’ information.

**Advantage** Prevention of fraudulent use by third parties.

#### Security Card

When judged by the Rakuten Bank system as required in case of important transactions such as transfer to other banks, a personal authentication is required by entering alphanumeric characters on the security card.

**Advantage** Prevention of identity theft by third parties.

## Compensation/Remedies for Damages

In the case that a customer falls victim to fraud, Rakuten Bank will cooperate with law enforcement to provide any required information and help any investigations. In addition, we have prepared multiple remedies to resolve issues related to any fraud.

#### Compensation for Cash Card Related Fraud

For individual customers, in the case of fraudulent use related to the automatic withdrawal of funds (ATM etc.) by a third party from a falsified or stolen cash card, the general principal is that Rakuten Bank will compensate the customer in full for the loss.

#### Compensation for Internet Banking Fraud

In the case that an individual customer is a victim of an unauthorized repayment through Internet banking, in compliance with the Deposit Insurance law and in agreement with the Japanese Bankers Association, if the customer is not personally at fault for the fraud, we will compensate the customer in accordance with our internal procedures, even if Rakuten Bank is not at fault.

\* In cases of a customer’s gross negligence or negligence, it is possible that the loss will be deemed ineligible for compensation or only partial compensation will be paid.

We will review each case directly with the customer to resolve it.

#### Relief for Bank Transfer Scams

For damages related to bank transfer scams, customers can request a damage recovery benefit in accordance with the Furikome Fraud Relief Act (Act on Damage Recovery Benefit Distributed from Fund in Bank Accounts Used for Crimes).

#### Shopping Insurance (Card Purchase Movable Comprehensive Insurance)

For products purchased with the Rakuten Bank Debit Card (Gold), for 60 days after purchase, losses from breakage or property loss, including accidental loss, will be compensated.

\* In cases of a customer’s gross negligence or negligence, it is possible that the loss will be deemed ineligible for compensation or only partial compensation will be paid.

We will review each case directly with the customer to resolve it. For detailed conditions for compensation, please use our website. (Japanese only)

## CSR Initiatives

# CSR and environmental activities that take advantage of an Internet bank's unique characteristics

### Rakuten Bank Corporate Social Responsibility

Rakuten Bank practices Corporate Social Responsibility management to support the realization of a sustainable society, under the mission of contributing to economically and morally rich societal development.

In addition, Rakuten Bank is proactively involved in social contribution activities and environmental activities to support economic, social and environmental development as a good corporate citizen.

#### Rakuten Clutch Fundraising Initiative

From June 2011, as an official member of the Rakuten Group, we launched our Rakuten Clutch Fundraising Initiative to accept donations, utilizing the Tohoku Rakuten Golden Eagles character Clutch as its mascot. Through the program, we collect donations for orphans and people affected by disasters.



#### Support of Fundraising Activities

Focusing on domestic charitable foundations, Rakuten Bank has created special donation accounts. Donations can be made at any time to these special accounts.



We have a special account for the "Rakuten's Forest" project launched on July 3, 2014, and customers can make a donation on our Website 24 hours a day.

#### Chokotto ikoto Program

The Chokotto ikoto Program allows customers to make automatic regular donations to participating foundations through the co-operation of participating companies. The cost of making donations to the program is covered by participating corporations, allowing our customers to participate in this service at no cost.



#### Rakuten Bank 10th Anniversary Commemorative Scholarships

We launched an endowment to support foreign exchange students studying in Japan. We will continually support the students for 4 years until graduation, focused on supporting self-funded exchange students. Through these scholarships, we hope to support the growth and development of people who can contribute to Japan and global society.

#### Rakuten Clutch Fundraising Initiative

Title	Term	Amount
Rakuten Clutch Fundraising Initiative 'Mirai no tsubasa'	November 10, 2014 ~	JPY 1,991,252 (As of June 30, 2016)
Rakuten Clutch Fundraising Initiative for Nepal Earthquake	April 28, 2015 ~ June 30, 2015	JPY 3,370,795
Rakuten Clutch Fundraising Initiative for Myanmar Floods	August 11, 2015 ~ September 30, 2015	JPY 183,236
Rakuten Clutch Fundraising Initiative for Typhoon No.18 heavy rain disaster	September 14, 2015 ~ November 30, 2015	JPY 1,509,576
Rakuten Clutch Fundraising Initiative for Taiwan Earthquake	February 9, 2016 ~ March 31, 2016	JPY 2,602,901
Rakuten Clutch Fundraising Initiative for Kumamoto Earthquake	April 15, 2016 ~ May 31, 2016	JPY 17,307,900
Rakuten Clutch Fundraising Initiative for Ecuador Earthquake	April 22, 2016 ~ May 31, 2016	JPY 481,906

## Financial Highlights

In fiscal 2015, Rakuten Bank became the first Internet bank in Japan to exceed 5 million accounts. In addition, the deposit balance achieved ¥1.5 trillion, card loan balance achieved ¥300 billion, and home loan balance exceeded ¥100 billion. For the first time, ordinary profit achieved ¥15 billion, and net income attributable to owners of parent exceeded ¥10 billion.

(Unit: Millions of Yen)

	Fiscal 2011 (March 31, 2012) Consolidated	Fiscal 2012 (March 31, 2013) Consolidated	Fiscal 2013 (March 31, 2014) Non-Consolidated	Fiscal 2014 (March 31, 2015) Consolidated	Fiscal 2015 (March 31, 2016) Consolidated
Ordinary Income	38,283	41,233	45,453	54,165	64,584
Gross Ordinary Profit	21,888	25,635	26,336	30,477	36,586
Net Interest Income	16,993	20,362	25,878	32,048	38,877
Net Fee and Commission Income	2,698	615	▲ 1,844	▲ 4,045	▲ 5,760
Net Other Operating Income	2,196	4,657	2,303	2,474	3,468
Trust Fee	—	—	—	141	510
General and Administrative Expenses	16,192	17,246	19,160	19,465	21,381
Ordinary Profit	6,293	8,364	7,518	11,287	15,716
Net Business Profit	5,696	8,396	7,176	11,099	15,542
Core Net Business Profit	4,812	5,859	7,176	11,153	15,715
Net income attributable to owners of parent	10,762	11,817	—	8,559	10,105
Current Net Income	—	—	7,446	—	—

Note: Core net business profit = Net business profit (before transfer to general allowance for loan losses) – Gains (losses) related to bonds  
 Note: Rakuten Bank adopts the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013), and from the fiscal 2015, we changed “Consolidated current net income” to “Net income attributable to owners of parent.”

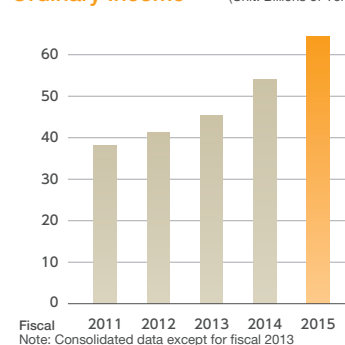
## Ordinary Income, Ordinary Profit and Core Net Business Profit

Ordinary income was ¥64.58 billion (a year-on-year increase of 19.2%), ordinary profit was ¥15.71 billion (an increase of 39.2%).

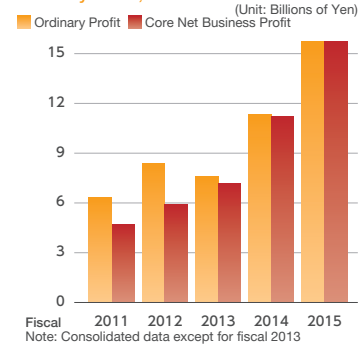
The increase in the balance of Rakuten Bank Super Loan (card loan) and Home Loan, and the growth of the income from fund management, mainly due to the steady increase in the balance of the trust beneficially right of Rakuten Card Co., Ltd., contributed to increases in both sales and profit.

The core net business profit reached a record high of ¥15.71 billion (an increase of 40.9%).

Ordinary Income (Unit: Billions of Yen)



Ordinary Profit, Core Net Business Profit (Unit: Billions of Yen)

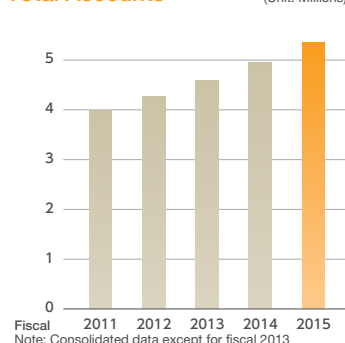


## Total Accounts and Total Settlements

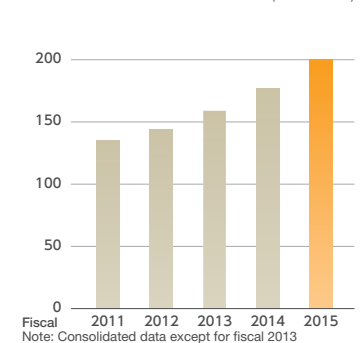
Total accounts reached 5.3 million (a year-on-year increase of 7.8%), and we became the first Internet bank\* in Japan to exceed 5 million accounts. 61% of all accounts are registered as Happy Program members (Rakuten ID linkage), and 7% of customers have applied for the Money Bridge (bank/securities account linkage with Rakuten Securities, As of March 31, 2016). In addition, the total number of settlements steadily increased in 200 million (an increase of 12.9%).

\* As of July 1, 2016

Total Accounts (Unit: Millions)



Total Settlements (Unit: Millions)

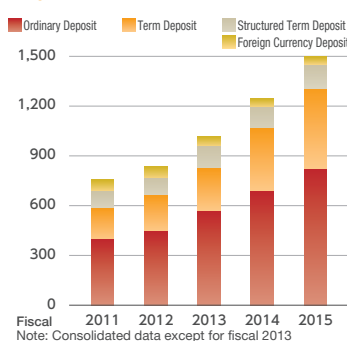


## Financial Highlights

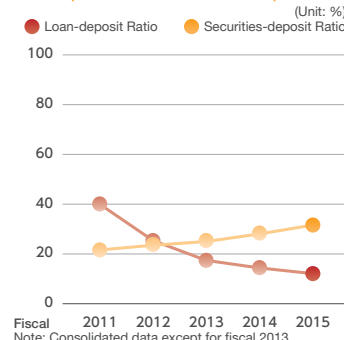
### Deposit Balance, Loan-deposit Ratio and Securities-deposit Ratio

Deposits as of the end of fiscal 2015 were as follows: Ordinary deposits were ¥822.4 billion, term deposits were ¥489.5 billion, structured term deposits were ¥134.9 billion and foreign currency deposits were ¥54.2 billion, leading to total deposits of ¥1,501.1 billion (a year-on-year increase of 20.4%). Our loan-deposit ratio, led by the increase in Rakuten Bank Super Loan (card loan) balance and Home Loan balance, achieved 31.6%, and our securities-deposit ratio was 12.1%.

Deposit Balance (Unit: Billions of Yen)



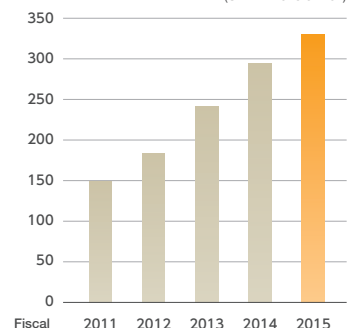
Loan-deposit Ratio and Securities-deposit Ratio (Unit: %)



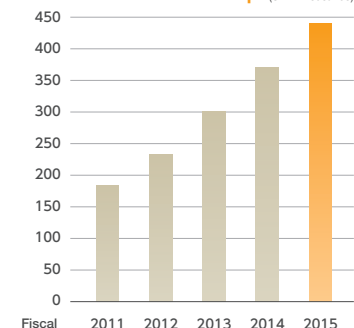
### Card Loan Balance and Card Loan Membership

The balance of Rakuten Bank Super Loan (card loans) has strongly increased since the service launched in April 2009, and the loan balance as of the end of fiscal 2015 achieved ¥330.6 billion (a year-on-year increase of 12.5%). Home Loan balance has significantly increased and exceeded ¥100 billion in March 2016. As a result, total loans outstanding was ¥475.1 billion (increase of 34.0%). The number of members also steadily increased to 440 thousand (increase of 16.8%).

Card Loan Balance (Unit: Billions of Yen)



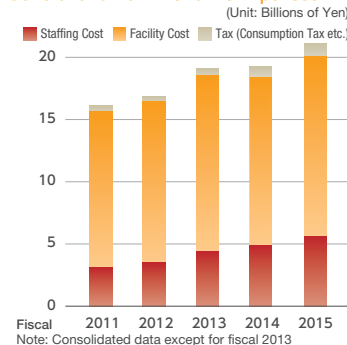
Card Loan Membership (Unit: Thousands)



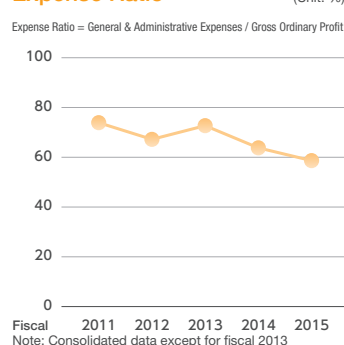
### General and Administrative Expenses and Expense Ratio

General and administrative expenses were ¥21.3 billion in the fiscal 2015 due to a strict cost control (a year-on-year increase of 9.8%). The expense ratio decreased to 58.4% (a 5.4% decrease from FY2014).

General and Administrative Expenses (Unit: Billions of Yen)



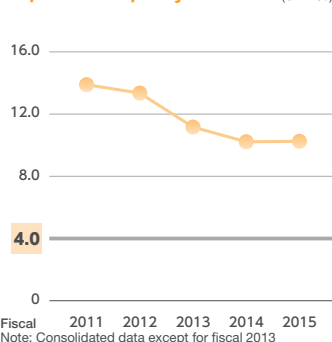
Expense Ratio (Unit: %)



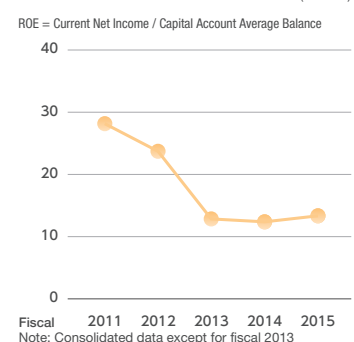
### Capital Adequacy Ratio and ROE

The capital adequacy ratio (Japanese standard) was 10.25%, as we maintained a stable level (The new standard for the capital adequacy ratio, "Basel III for banks in Japan," has been applied since March 31, 2014). ROE was 13.45%.

Capital Adequacy Ratio (Unit: %)



ROE (Unit: %)



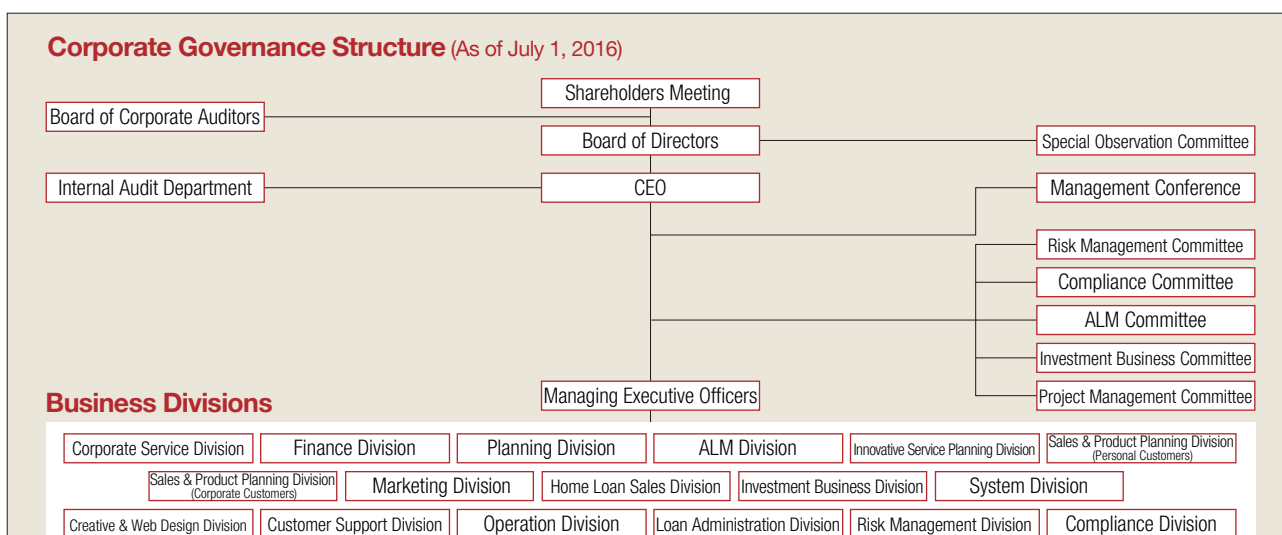
\*Basel III for banks in Japan" has been applied since fiscal 2013

## Business Operations

# Strengthening our management structure to meet our public responsibilities.

### Corporate Governance

At Rakuten Bank, we are aware that maximizing corporate value while also meeting our public responsibilities as a bank is fundamental to the concept of corporate governance. Therefore, we have established a corporate management framework that strengthens corporate governance while maintaining efficient and fair decision-making and business management systems utilizing transparent and sound management policy decision-making processes, strengthened mutual supervision provisions, a clearly defined compliance framework and clear disclosure mechanisms.



## Outline of the Corporate Governance Structure

### 1 Overview of the Corporate Structure

Rakuten Bank has adopted a corporate auditor system.

The Board of Directors, as of July 1, 2016, consists of 6 members, including 2 external directors who have extensive business experience and are capable of evaluating and auditing the business results from an objective point of view. In addition, as of July 1, 2016, an independent Board of Corporate Auditors of 3 members (including 2 external auditors) has been set up with highly experienced specialists having extensive knowledge from the finance industry to effectively monitor and audit management.

### 2 Details of the Corporate Structure

The Board of Directors, which holds ordinary meetings once a month as a general rule, strives to enhance the fairness and transparency of operations as the body for monitoring management, resolving statutory matters, determining basic policy, exchanging opinions from a broad perspective and building a business management system, among others.

The Management Conference meets twice a month as a general rule. It serves as a consulting body for matters to be decided by the Board of Directors, in order that the Board of Directors may make decisions on the matters on the agenda or obtain the necessary information to monitor management; in addition, it inspects the matters resolved by the Board of Directors and performs operations based on the business management policy determined by the Board of Directors.

## Business Operations

Additionally, the Risk Management Committee, the Compliance Committee, the ALM Committee, the Investment Business Committee and the Project Management Committee have been set up in order to conduct necessary deliberations prior to the formal decision-making by Rakuten Bank.

### 3 Appropriate Role of Corporate Governance in a Wholly Owned Subsidiary of a Business Holding Company

As a wholly owned subsidiary of a business holding company, we have taken the following measures toward achieving an appropriate role for corporate governance. As a general rule, half of the members of the Board of Directors are selected from outside of the Rakuten Group and a system is in place that effectively checks the relationship between board members and the Rakuten Group. Additionally, we have established a Special Observation Committee comprising directors and corporate auditors selected from outside of the Rakuten Group, which must be consulted in advance on management policy decisions based on Rakuten Inc.'s requests related to Rakuten Inc.'s group business strategy, human resource matter related to both Rakuten Bank and the Rakuten Group, and the conducting of transactions and actions with the Rakuten Group, thereby ensuring an appropriate governance structure as a bank.

### 4 Internal Audits and Audits by Corporate Auditors

The 7 members of the Internal Audit Department, which reports directly to the CEO, are responsible for conducting internal audits. Internal audits on the divisions and subsidiaries of Rakuten Bank are conducted in accordance with the Regulations for Internal Audit and internal auditing plans, which have been approved by the Board of Directors, in order to verify the appropriateness and efficiency of the system of internal controls over business operations in general and the risk management framework.

Promptly upon completion of the internal audit, the Internal Audit Department reports the results to the CEO, as well as the Board of Directors and Board of Corporate Auditors. Moreover, the Internal Audit Department reports on the status of activities of the Internal Audit Department and the improvement status of recommendations given in the course of the internal audits to the Board of Directors and Board of Corporate Auditors every three months. The Internal Audit Department maintains open channels of communication with the corporate auditors in order to share various issues relating to internal controls. The Internal Audit Department also engages in exchanges of opinions with the accounting auditors as appropriate, in order to confirm the necessary improvements in internal controls recognized by the accounting auditors.

Audits by corporate auditors are conducted by the 3 corporate auditors, including 1 standing corporate auditor. They involve the audit of the directors' execution of duties and accounting audits. In the course of conducting audits, each corporate auditor draws up an audit policy and audit plan, attends Board meetings and other important meetings, hears reports from the CEO and other members of management, communicates with the Internal Audit Department, inspects important documents and performs audits on the divisions and subsidiaries of Rakuten Bank. The Board of Corporate Auditors also receives reports on the results of accounting auditor's audits from the accounting auditors, confirms their appropriateness, and determines accounting auditors' appointment.

### 5 Accounting Audits

In the fiscal 2015, Rakuten Bank entered into an audit service agreement with Ernst & Young ShinNihon LLC and underwent an accounting audit. The name of the certified public accountants that provided accounting auditing services in the current fiscal year and the structure of assistants for accounting auditing services are as described below. The number of years they continuously executed the audit of Rakuten Bank is not stated, as Ernst & Young ShinNihon LLC has been auditing Rakuten Bank for less than seven years.

The names of certified public accountants who executed audit work:

Designated Limited Liability Partners and Engagement Partners: Masashi Nezu, Hiroshi Nishida.

Structure of assistants for accounting audit services: 4 certified public accountants and 14 other persons.

### 6 Relationship with External Directors and External Corporate Auditors (As of July 1, 2016)

Rakuten Bank has 2 external directors and 2 external corporate auditors. Masayuki Hosaka, External Director, is the Representative Director and CEO of Rakuten Card Co., Ltd. and Rakuten Edy, Ltd., sister companies of Rakuten Bank, which Rakuten Bank maintains operational relationships with, including the provision of services. Rakuten Bank has no other human, capital or operational relationships or any other special interests with them.

## Business Operations

# Established a well-organized management structure to cope with risks unique to Internet bank.

### Risk Management Framework

Rakuten Bank’s Board of Directors has established our risk management policies in the Regulations for Bank-wide Risk Management, which include specific regulations and detailed regulations for each division based on the overall policy. Business is conducted in accordance with the rules and regulations prescribed. Our overall risk management system is centrally managed by the Risk Management Division, with monthly reporting to the Risk Management Committee, Management Conference and Board of Directors. Meanwhile, the Regulations for Crisis Management is in place for cases of business incidents and/or natural disaster which allows us to take all possible measures necessary to ensure that we can serve our public function as a bank, even in unforeseen circumstances.

#### Risk Management Framework (As of July 1, 2016)



### 1 Integrated Risk Management Framework

We have developed a framework for managing capital adequacy centered on a system of managing capital allocations (hereinafter collectively referred to as “capital allocation management”), for the purpose of ensuring sound management by preliminarily allocating capital in each risk category and restricting risk taking levels within the amount of capital allocated.

In specific terms, capital allocable to market and credit risks, capital allocable to operational risks, and the like, are defined according to the nature of the allocable capital and associated risks; and within each risk category, namely market risk, credit risk, and operational risk, the allocation of the corresponding risk capital is determined (hereinafter referred to as “capital allocation”) at least once each quarter by the Board of Directors.

Additionally, as part of the monthly PDCA cycle for managing capital adequacy, we conduct monthly checks on whether the actual capital used and the estimated amount of capital to be used in the future have not exceeded allocated capital, while at the same time making sure that the capital buffer, which is defined as surplus of risk capital, exceeds the amount of stressed capital. In effect, the Board of Directors conducts quarterly checks to ensure that no material problems will occur to our capital adequacy even in the event of drastic market fluctuations and/or changes to our credit standing.

## Business Operations

### 2 Market Risk and Credit Risk Management Framework

#### (1) Market Risk Management

Rakuten Bank defines market risk as the risk of declining profits or incurring losses due to fluctuations in the value of assets held as a result of fluctuations in interest rates, foreign exchange rates and stock prices. Moreover, the sources of such assets include (i) investment assets generated through investment operations and (ii) securities and other assets held for strategic purposes including 1) Japanese government bonds, municipal bonds and government backed bonds, 2) Japan Housing Finance Agency Mortgage Backed Securities, 3) listed stocks, ETFs, 4) foreign currency and 5) other marketable assets. Rakuten Bank has stipulated the method of measurement of risk capital, loss-cut rules, monitoring methods and cycles for each of the above assets in the Regulations for Market Risk Management and Detailed Regulations for Market Risk Management. The results of risk capital measurement are used in the monitoring of capital allocation, and compliance status of each rule is reported on a daily and/or monthly basis to the Risk Management Committee and the Board of Directors, etc.

#### (2) Credit Risk Management

Rakuten Bank defines credit risk as the risk of decrease or the loss of the value of assets and incurring losses mainly due to deterioration in an obligor's financial position. Moreover, the sources of such assets include (i) trade-receivables generated through the provision of services, (ii) investment assets generated through investment operations, (iii) receivables generated through loan operations, and (iv) securities and other assets held for strategic purposes. Rakuten Bank has stipulated the method of measurement of risk capital, decision-making processes as to credit offering in relation to the value, loss-cut rules, and monitoring methods and cycles for each of the above assets in the Regulations for Credit Risk Management and Detailed Regulations for Credit Risk Management. The results of risk capital measurement are used in the monitoring of capital allocation, and compliance status of each rule is reported on a daily and/or monthly basis to the Risk Management Committee and the Board of Directors, etc.

#### (3) Stress Testing and Backtesting

In order to complement the limitations of the methods used to measure risk capital in terms of market risk and credit risk, we perform stress testing and backtesting every quarter, as a general rule. Stress testing is performed assuming three scenarios depending on objectives, and the impact of each scenario on our capital adequacy is verified, while we verify our measurement models through backtesting. The results of these tests are reported to the Risk Management Committee and the Board of Directors, etc.

#### (4) Monitoring of Assets

Particularly in terms of assets associated with credit risk, we conduct monitoring of each asset, including the financial position and the rating of the obligor. Moreover, assets associated with market risk and credit risk, whose fair value may be ascertained, are monitored to see if they infringe a specified warning point, defined in each of the rules; and the results of such ongoing monitoring are reported to the Risk Management Committee and other committees. We have also recently stepped up our interim monitoring of securitized instruments and their underlying assets.

### 3 Liquidity Risk Management Framework

In the Regulations for Bank-wide Risk Management and Regulations for Liquidity Risk Management, Rakuten Bank has set forth the basic policy on liquidity risk, which defines a certain percentage of total deposits as minimum liquidity, and requires cash reserves exceeding this amount be maintained for the purpose of securing funding based on the holding and utilization of assets, which are convertible into cash, that will enable continuous operations even in the event of a drastic outflow of deposits, such as in the event of a run on banks. Additionally, Rakuten Bank manages liquidity risk through the clarification of an action plan intended to ensure sufficient liquidity and control reputational risk by setting forth the Liquidity Risk Contingency Plan, whose basic policy involves a judgment of the situation and its categorization into "Normal," "Requiring Caution," "Cause for Concern" or "Crisis Point," depending on the fund liquidity status (mode determination) and taking appropriate actions. The results of mode determination, which is conducted on a daily basis in the course of liquidity risk management, are reported to the Risk Management Committee and other committees.

### 4 Operational Risk Management Framework

In accordance with the Regulations for Bank-wide Risk Management and the Regulations for Operational Risk Management, Rakuten Bank recognizes the reinforcement of our operational risk management framework to be one of our priority management tasks and has been developing and improving our operational risk management framework, as well as enhancing its sophistication. Starting from the end of March 2012, we have been implementing the Standard Approach (TSA), as the calculation method of operational risk under BIS regulations.

## Business Operations

### (1) Processing Risk Management Framework

In order to address potential processing risks, Rakuten Bank, as a general rule, conducts a CSA (Control Self Assessment) every year, with particular emphasis on identifying the location, type and impact of risks inherent in the bank's processing flow. At the same time, an evaluation of the control status of such risks is conducted and risk reduction measures are deliberated and implemented for processing flows, which are determined to be high risk. Additionally, in order to address risks that have materialized, Rakuten Bank defines events that require reprocessing or responses from the entire organization, separate from normal business processes, as a result of the willful intent or inadvertent administrative error of the bank's executives, employees or subcontractors, or errors in the systems or administrative processes as incidents, and has been striving to reduce risks by building a framework to prevent the recurrences of incidents that match the degree of materialization of such risks.

The status of CSA and the occurrence/causes/prevention measures of such incidents are reported to the Risk Management Committee, etc.

### (2) Information System Risk Management Framework

As Rakuten Bank depends on computer systems for the greater part of our business operations, we recognize information system risk to be one of our most fundamental risks; and accordingly have built a management framework, in addition to strictly overseeing the planning, development and operation of our company-wide systems. Moreover, in addition to duplicating networks and hardware and implementing off-site storage of customer data in preparation for disasters and failures, Rakuten Bank has established a disaster control center capable of quickly resuming operations following disasters to ensure even more reliable and safe operations. Furthermore, a detailed Contingency Plan has been set forth that places the highest priority on the preservation of customers' assets, as part of a framework that allows customers to engage in transactions with peace of mind. Rakuten Bank's overall policy on information system risk has been determined by its Board of Directors and articulated in the Regulations for Information System Risk Management. Based on the Regulations, purpose based rules and office manuals are placed to familiarize our employees with the overall policy on information system risk. Additionally, the management status of information system risk is reported on a monthly basis to the Risk Management Committee, the Board of Directors and other committees.

### (3) Information Security Risk Management Framework

In order to address the threats to customer assets, customer information, bank assets and bank information, Rakuten Bank implements the following measures based on the risk management frameworks for information security risk, information system risk and compliance risk, which have been set forth in the management of operational risk. The Risk Management Division is responsible for the overall management of information security risk, the System Division is responsible for the management of system security associated with information system risks, and the Compliance Division is responsible for dealing with financial crimes, while a mechanism has been put in place that ensures the absence of any gaps among the risk management of each division. Moreover, we have reinforced our information security by conducting checks in compliance with FISC (The Center for Financial Industry Information Systems) safety standards and other information security standards, primarily on system confidentiality, integrity and availability, while, in terms of external threats to our web system, we implement the latest system security measures, including the performance of regular security tests by a third party. Additionally, incident reports relating to information security risk, security status of information system and reports on the handling status of financial crimes are given by each division on a monthly basis to the Board of Directors, etc.

### (4) Management Framework of Other Operational Risks

#### (i) Reputational Risk

Rakuten Bank defines reputational risk as the risk of disruption to the bank's operations due to media reports and/or rumors stemming from false facts or actual materialization of various risk cases relating to the bank's operations and manages such risks by establishing the Regulations for Reputational Risk Management which set forth basic management policies and the response methods in the event that such risks materialize.

#### (ii) Human Risk and Legal Risk

Rakuten Bank defines human risk as the risk incurred from HR operations, such as inequality or inequity in the bank's human resources management (including problems with remuneration, benefits, dismissal, etc.) and discriminatory conduct (including sexual harassment), and an increase in the number of employees going on long-term leave as a result of mental problems, and other factors, and legal risk as the risk of incurring losses (including litigation costs and attorney fees) from penalties, administrative dispositions, compensation for damages and voided contracts, and other issues as a result of statutes or litigation, and manages such risks by establishing the Regulations for Human Risk Management and the Regulations for Legal Risk Management which set forth the basic policies on the management of such risks.

## Business Operations

### Compliance Structure

Rakuten Bank understands that we have a public responsibility as a bank, and are aware of the paramount importance of sound management policy and maintaining society's trust and reliance, while conducting business operations with a high ethical standard. Therefore, we require our executives and employees to perform their duties with the highest ethical standards, while abiding by relevant regulations and laws, in accordance with our social responsibility. Compliance activities are mainly handled through the following initiatives.

- The Board of Directors has established the Compliance Program, a concrete compliance action plan, and oversees and reviews the progress of implementation on a routine basis.
- A Compliance Committee has been established, which meets on a regular basis to review business matters from a compliance perspective and raise issues related to managing audit and/or Board of Director decisions.
- A Compliance Division has been established under the Executive Officer in charge of compliance to oversee company-level compliance, and personnel in charge of compliance have been appointed to each division. Together, they make up the structure to firmly establish an awareness of compliance in daily operations, conduct monitoring and share relevant information.
- Compliance and legal reviews are conducted on various business projects by the personnel in charge of compliance and/or the compliance officer and the Legal Affairs section. The Project Management Committee, the Investment Business Committee and the Risk Management Committee meetings are attended by the Executive Officer in charge and/or the Executive Manager of the Compliance Division to deliberate business projects.
- We are actively engaged in the prevention of money laundering, financing of terrorism and other financial crimes through the reinforcement of our systems.
- We actively promote initiatives to shut out antisocial forces by such means as including provisions to exclude organized crime groups in the various trading rules including Terms & Conditions for Rakuten Bank Account Services and Terms & Conditions for Super Loan Membership.
- We make efforts to educate our executives and employees in compliance matters by establishing various rules including a code of ethics, compliance regulations and compliance manuals, reviewing them on a periodic basis and as the need arises, and by conducting training sessions.

The designated dispute resolution agency in compliance with the Banking Act to which Rakuten Bank belongs:

The Japanese Bankers Association (JBA)

**Contact** JBA Customer Relations Center  
**Phone number** 0570-017-109 or 03-5252-3772 (in Japan)

## Key Events in Fiscal 2015

### New Products and New Services

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- 2015**
- Launch of Rakuten Bank Debit Card (JCB) (April)
  - ATM tie-up with The Bank of Tokyo-Mitsubishi UFJ, Ltd. (April)
  - Introduction of Rakuten Bank Super Loan Interest Free Special Contract (June)
  - Addition of a new currency pair TRY/JPY to New Rakuten Bank FX (August)
  - Launched international remittance receipt service for individual and sole proprietor customers (November)
  - Started account transfer service for SAIBU GAS CO., LTD. (December)
- 2016**
- Started offering number-selection lotteries, LOTO7, LOTO6 and Mini LOTO (January)
  - Expanded ATM Switching Service connection to 134 credit cooperatives (January)
  - Started account transfer service for Tokyo Electric Power Company Holdings, Inc. (February)
  - Launched the first “Banking Malware Support,” offered by the Internet banks (March)
  - Started issuing Rakuten Bank Business Debit Card (JCB) (March)

### Enhancing Smartphone Transaction Environment

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- 2015**
- Upgraded site display for easier and more convenient method to apply for an account opening by a smartphone (June)
  - The number of Rakuten Bank App (for iPhone) downloads exceeded 1 million (June)
  - Launched Rakuten Bank Dream App for smartphones which enables customer to purchase BIG, toto, LOTO and Numbers (August)
  - Introduced fingerprint authentication log-in function
    - Rakuten Bank App (for iPhone) for smartphones (June)
    - Rakuten Bank App (for Android) for smartphones (November)
    - Rakuten Bank Dream App for smartphones (November)
  - Launched international remittance receipt service for individual and sole proprietor customers (November)
  - Started handling transaction for Rakuten Ext Deposit (November)
  - Introduced 3D Touch (quick action) log-in function to Rakuten Bank App (for iPhone) for smartphones (December)
- 2016**
- Started handling “My Number” submission via the app which is required for New Rakuten Bank FX account opening and transaction (taking a picture image of “My Number” by smartphone and forwarding it via the app) (January)
  - Introduced exchange rate alert function to the transaction tool app of New Rakuten Bank FX for smartphones (February)

### Others

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- 2015**
- Received “Country Winner” of the Global Finance World’s Best Digital Bank Awards (August)
  - Renewed customer loyalty program “Happy Program” (November)

## Corporate History

2000	January	Establishment of Japan Electronic Settlement Planning, Inc. (capital ¥400 million) for the purpose of establishing a bank in Chiyoda-ku, Tokyo.	April	Inherited part of the card loan business of Rakuten Credit, Inc. and launched personal card loan business.	
	June	Certification based on the revision of New Business Creation Promotion law by the Ministry of Trade and Industry.	May	Rakuten Mortgage Co., Ltd. became a wholly owned subsidiary of Rakuten Bank, Ltd.	
	October	Establishment of our data center.	July	Head office moved to Shinagawa-ku, Tokyo.	
2001	July	Official launch of eBANK, after obtaining banking license. (Financial Supervisory Bureau No. 3912)	2010	March	Launch of eBANK Happy Program customer loyalty program.
2002	April	Launch of Mobile Banking Service.	May	Change of corporate name to Rakuten Bank, Ltd.	
	November	Launch of Easy Bank Transfer (Mail Money) e-mail transfer service.	July	Launch of business alliance with Rakuten Securities, Inc. to provide financial product intermediary business.	
2003	July	Launch of ATM deposit and withdrawal service via Japan Post.	October	Became a wholly owned subsidiary of Rakuten, Inc.	
	August	Launch of ATM deposit and withdrawal service via IY Bank (Present: Seven Bank, Ltd.).	December	Acquisition of Rakuten Mortgage Co., Ltd.'s business.	
	December	Launch of IP address restriction service.	2011	January	Launch of online Corporate International Remittance business.
2004	October	Establishment of eBANK Systems, Ltd. (Present: Rakuten Bank Systems, Ltd.)	April	Launch of Rakuten Bank x Rakuten Securities account linkage service Money Bridge.	
	December	Launch of real time Easy Bank Transfer (Mail Money) service.	2012	July	Launch of receiving transfers of national treasury funds (pension, civil servant salaries).
2005	February	Registered with Kanto Local Finance Bureau as a financial institution able to execute securities business. (Kanto Finance Bureau No. 609)	2013	January	Transfer of domestic investment trust sales business to Rakuten Securities, Inc.
	August	Launch of "toto" sports promotion lottery ticket sales online.	November	Launch of Rakuten Bank Home Loans (variable interest rate).	
	October	Establishment of eBANK Capital Management (Cayman) Ltd. (consolidated subsidiary), fully funded by our corporation.	December	Total deposits exceeded ¥1 trillion.	
	November	Launch of investment trust business.	2014	April	Received a long-term issuer rating (A-) and a short-term issuer rating (J-1) from Japan Credit Rating Agency, Ltd.
2006	January	Direct connection to the National Bank data communications system.	August	Launch of Transfer by Facebook, a transfer service using Facebook.	
	February	Obtained license to be a principal member of VISA International Service Association.	September	Acquired 100% ownership of The Trans Value Trust Company, Limited.	
2007	June	Registered with Kanto Local Finance Bureau as a financial institution able to execute futures transactions business. (Kanto Finance Bureau No. 176)	December	Launch of Rakuten Bank Education Loan.	
	July	Launch of cash card with Visa Debit card function.	2015	April	Launch of Rakuten Bank Debit Card (JCB).
2008	September	Received approval from the Financial Services Agency to operate guaranteed unsecured personal loans business.	May	Became the first Internet bank in Japan to exceed 5 million accounts.	
	September	Capital and business alliance with Rakuten, Inc.	May	Rakuten Bank Super Loan (card loan) balance exceeded ¥300 billion.	
	September	Capital and business alliance with Rakuten, Inc.	June	The number of Rakuten Bank App (for iPhone) downloads exceeded 1 million.	
2009	February	Received approval for Rakuten, Inc to become the majority shareholder of eBANK and our parent company.	August	Head office moved to Setagaya-ku, Tokyo.	
	March	Received approval from Financial Services Agency to operate personal credit business.	2016	March	Rakuten Bank Home Loan balance exceeded ¥100 billion.
			March	Launch of Rakuten Bank Business Debit Card (JCB).	

**Rakuten Bank, Ltd.**

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