

Rakuten Bank, Ltd.

Annual Financial Report (Consolidated) for Fiscal 2015

Table of Contents

1. Consolidated Results for the Fiscal Year Ended March, 31, 2016 (April, 1, 2015 to March, 31, 2016)	1
2. Dividends Distribution	1
3. Forecasts for the Fiscal Year Ending March, 31, 2017	1
4. Consolidated Financial Statements	3
4(1) Consolidated Balance Sheet	3
4(2) Consolidated Statements of Income	4
4(3) Consolidated Statements of Cash Flows	5
5. Non-consolidated Financial Statements	6
5(1) Non-consolidated Balance Sheet	6
5(2) Non-consolidated Statements 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, 2016 (April, 1, 2015 to March, 31, 2016)

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

	Ordinary Income		Ordinary Profit		Net Income Attributable to Owners of Parent	
	JPY million	%	JPY million	%	JPY million	%
March 31, 2016	64,584	19.2	15,716	39.2	10,105	18.0
March 31, 2015	54,165	—	11,287	—	8,559	—

(Note 1) Comprehensive income: Fiscal 2015 JPY10,121MM (18.4%) Fiscal 2014 JPY8,548MM (—%)

	Net Income per share	Diluted Net Income per share	Ratio of Net Income to Own Capital	Ratio of Ordinary Profit to Total Assets	Ratio of Ordinary Profit to Ordinary Income
March 31, 2016	JPY 4,300.94	JPY — —	% 13.4	% 1.0	% 24.3
March 31, 2015	3,643.07	— —	—	—	20.8

(Reference) Equity in Income from Investments in Affiliates: Fiscal 2015 - Fiscal 2014 -

(2) Consolidated Financial Position

	Total Assets	Total Net Assets	Capital Adequacy ratio	Total Net Assets per share
March 31, 2016	JPY million 1,717,470	JPY million 80,362	% 4.6	JPY 34,204.40
March 31, 2015	1,341,915	70,240	5.2	29,896.29

(Reference) Own capital: Fiscal 2015 JPY 80,362MM Fiscal 2014 JPY 70,240 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 Cash Flows Position

	Cash Flows from operating activities	Cash Flows from investment activities	Cash Flows from financing activities	Cash and Cash Equivalents Balance at the end of fiscal year
March 31, 2016	JPY million 170,990	JPY million (4,033)	JPY million (90)	JPY million 464,508
March 31, 2015	92,958	(5,673)	—	297,641

2. Dividends Distribution

Rakuten Bank Ltd. has not paid out dividends with a record date falling on either of previous or current consolidated fiscal year, therefore, we omit the disclosure of the item.

3. Forecasts for the Fiscal Year Ending March, 31, 2017 (April, 1, 2016 - March, 31, 2017)

Rakuten Bank, Ltd. does not disclose a consolidated earnings forecast for the next fiscal year.

※ Special notes

(1) Changes in significant subsidiaries during period: Yes

Newly included: 11 (companies) Super Trust Holdings, The Super Trust 1, LLC, Super Trust 2, LLC, Super Trust 3, LLC, Super Trust 4, LLC, Super Trust 5, LLC, Super Trust 6, LLC, Super Trust 7, LLC, Super Trust 8, LLC, Super Trust 9, LLC, Super Trust 10, LLC

Excluded: —

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

- | | |
|---|-----|
| ① Changes in accounting policies due to revision of accounting standards: | Yes |
| 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, 2016	2,349,484 shares	March, 31, 2015	2,349,484 shares
② Treasury stocks	March, 31, 2016	— shares	March, 31, 2015	— shares
③ Average outstanding stocks	March, 31, 2016	2,349,484 shares	March, 31, 2015	2,349,484 shares

(Reference) Summary of non-consolidated financial data

1. Non-consolidated Results for the Fiscal Year Ended March, 31, 2016

(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, 2016	63,995	18.4	15,507	38.3	9,931	17.0
March, 31, 2015	54,005	18.8	11,209	49.0	8,485	13.9

	Net Income	Diluted Net Income
	per share	per share
	JPY	JPY
March, 31, 2016	4,226.97	— —
March, 31, 2015	3,611.52	— —

(2) Non-consolidated Financial Position

	Total Assets	Total Net Assets	Capital Adequacy ratio	Total Net Assets per share
	JPY million	JPY million	%	JPY
March, 31, 2016	1,844,241	80,106	4.3	34,095.55
March 31, 2015	1,341,833	70,138	5.2	29,852.53

(Reference) Own capital: Fiscal 2015 JPY 80,106 MM Fiscal 2014 JPY 70,138 MM

(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, 2016
Assets		
Cash and due from banks	309,641	464,508
Call loans	23,000	—
Monetary claims bought	427,515	548,543
Marketable securities	181,202	182,200
Loans and bills discounted	354,449	475,126
Foreign exchange	776	3,127
Other assets	28,949	30,312
Property, plant and equipment	928	1,774
Building	81	515
Other property, plant and equipment	846	1,259
Intangible assets	6,137	6,275
Software	5,132	4,454
Software-in-progress	658	1,510
Goodwill	345	309
Other intangible assets	1	0
Deferred tax assets	9,137	5,552
Customer liabilities for acceptances and guarantees	434	485
Allowance for doubtful accounts	(256)	(437)
Total assets	1,341,915	1,717,470
Liabilities		
Deposits	1,246,757	1,501,179
Borrowed money	550	99,950
Foreign exchange	36	267
Bonds payable	4,000	4,000
Other liabilities	19,480	30,727
Reserve for bonus	262	310
Reserve for points	141	172
Reserve for reimbursement of deposits	1	5
Contingency loss provision	9	8
Acceptances and guarantees	434	485
Total liabilities	1,271,675	1,637,107
Net assets		
Common stock	25,954	25,954
Capital surplus	2,468	2,468
Retained earnings	41,682	51,787
Total Shareholder Equity	70,104	80,209
Valuation difference on available-for-sale securities	136	153
Total valuation and translation adjustments	136	153
Total net assets	70,240	80,362
Total liabilities and net assets	1,341,915	1,717,470

(2) Consolidated Statements of Income

(Unit: JPY million)

	For the fiscal year ending March, 31, 2015	For the fiscal year ending March, 31, 2016
Ordinary income	54,165	64,584
Interest income	34,606	41,574
Interest on loans and discounts	27,678	34,178
Interest and dividends on securities	1,123	555
Call loan interest	56	26
Interest on due from banks	144	253
Other interest received	5,603	6,559
Fees and commissions	16,343	18,591
Other ordinary income	2,792	3,468
Other income	281	438
Gain on bad debts recovered	--	2
Other income	281	436
Trust fee	141	510
Ordinary expenses	42,877	48,868
Interest expenses	2,557	2,696
Interest on deposits	2,505	2,634
Call money interest	8	0
Interest on borrowings	1	19
Bond interest	43	41
Other interest expense	--	0
Fees and commissions expense	20,389	24,352
Other operating expense	318	—
General and administrative expenses	19,465	21,381
Other expenses	147	438
Provision on loss for doubtful accounts	101	338
Loss on write-off of equity	6	17
Other expenses	39	82
Ordinary profit	11,287	15,716
Extraordinary profit	5	0
Transfer from reserve for financial products transaction liabilities	5	0
Extraordinary losses	574	247
Loss on disposal of property and equipment	278	24
Impairment loss	252	5
Other extraordinary loss	44	216
Net Income before taxes	10,718	15,469
Provision for Income and other taxes	660	1,793
Adjustment to income and other taxes	1,498	3,571
Total income and other taxes	2,159	5,364
Current net income	8,559	10,105
Net income attributable to owners of parent	8,559	10,105

(3) Consolidated Statements of Cash Flows

(Unit: JPY million)

	For the fiscal year ending March, 31, 2015	For the fiscal year ending March, 31, 2016
Cash flows from operating activities:		
Income before income taxes and others	10,718	15,469
Depreciation	2,421	2,357
Amortization of goodwill	8	35
Increase (decrease) in allowance for doubtful accounts	100	180
Increase (decrease) in reserve for bonuses	70	47
Increase (decrease) in reserve for loyalty award credits	18	31
Increase (decrease) in other reserves	0	(1)
Interest income recognized on Statements of Income	(34,606)	(41,574)
Interest expenses recognized on Statements of Income	2,557	2,696
Foreign exchange losses (gains)	(854)	41
Losses (gains) on sales of fixed assets	278	24
Net decrease (increase) in loans and bills discounted	(95,933)	(120,676)
Net increase (decrease) in deposits	230,206	254,422
Net increase (decrease) in borrowed money	30	99,400
Net increase (decrease) in deposits paid (excluding cash equivalents)	—	12,000
Net decrease (increase) in call loans and others	22,000	23,000
Net decrease (increase) in foreign exchange position(assets)	4,941	(2,350)
Net decrease (increase) in foreign exchange position(liabilities)	36	230
Net decrease (increase) in monetary claims bought	(77,487)	(121,028)
Interest income (cash basis)	34,085	41,436
Interest expenses (cash basis)	(2,858)	(2,894)
Others	(1,942)	8,782
Subtotal	93,793	171,630
Income taxes paid	(834)	(639)
Net cash provided by (used in) operating activities	92,958	170,990
Cash flows from investing activities:		
Purchase of securities	(264,783)	(205,446)
Proceeds from redemption of securities	261,672	204,255
Purchase of tangible fixed assets	(295)	(789)
Proceeds from sales of tangible fixed assets	—	1
Purchase of intangible fixed assets	(1,868)	(2,058)
Proceeds from sales of intangible fixed assets	—	3
Purchase of additional equity in subsidiary	(399)	—
Net cash provided by (used in) investment activities	(5,673)	(4,033)
Cash flows from financing activities:		
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(90)
Net cash provided by (used in) financing activities	—	(90)
Net increase (decrease) in cash and cash equivalents	87,284	166,866
Cash and cash equivalents at the beginning of period	210,341	297,641
Cash and cash equivalents at the beginning of period with new consolidation	15	—
Cash and cash equivalents at the end of period	297,641	464,508

5. Non-consolidated Financial Statements

(1) Non-consolidated Balance Sheet

(Unit: JPY million)

	As of March, 31, 2015	As of March, 31, 2016
Assets		
Cash and due from banks	309,640	464,506
Cash	0	—
Due from banks	309,640	464,506
Call loans	23,000	—
Monetary claims bought	427,535	545,027
Marketable securities	181,643	312,532
Government bonds	25,807	7,007
Short-term bonds	24,496	144,366
Corporate bonds	81,550	103,533
Equity securities	490	491
Other securities	49,298	57,134
Loans and bills discounted	354,449	475,126
Term loans	60,731	144,477
Overdraft facilities	293,718	330,649
Foreign exchange	776	3,127
Due to foreign banks	776	3,127
Other assets	28,747	30,588
Domestic exchange settlement accounts, debit	4,646	4,863
Prepaid expenses	424	469
Accrued income	2,832	3,249
Initial margins of futures markets	0	180
Derivatives other than for trading	5,574	4,350
Cash collateral paid for financial instruments	—	4,050
Other assets	15,269	13,424
Property, plant and equipment	927	1,762
Building	80	510
Other property, plant and equipment	846	1,252
Intangible assets	5,791	5,963
Software	5,132	4,451
Software-in-progress	658	1,510
Other intangible assets	0	0
Deferred tax assets	9,137	5,552
Customer liabilities for acceptances and guarantees	434	485
Allowance for doubtful accounts	(249)	(430)
Total assets	1,341,833	1,844,241

(Unit: JPY million)

	As of March, 31, 2015	As of March, 31, 2016
Liabilities		
Deposits	1,246,819	1,628,284
Ordinary deposits	686,854	949,568
Term deposits	507,265	624,447
Other deposits	52,699	54,267
Borrowed money	550	99,950
Borrowomgs from other banks	550	99,950
Foreign exchanges	36	267
Foreign bills payable	36	267
Bonds payable	4,000	4,000
Other liabilities	19,443	30,661
Domestic exchanges settlement account, credit	3,968	2,113
Income taxes payable	417	1,630
Accrued expenses	5,601	5,864
Unearned income	451	436
Valuation margins of future markets	3,903	4,827
Derivatives other than for trading	3,103	2,585
Cash collateral received for financial instruments	—	700
Asset retirement obligations	—	181
Other liabilities	1,996	12,322
Reserve for bonus	259	298
Reserve for points	141	172
Reserve for reimbursement of deposits	1	5
Contingency loss provision	9	8
Financial instruments transaction liability reserve	9	8
Acceptances and guarantees	434	485
Total liabilities	1,271,695	1,764,134
Net assets		
Common stock	25,954	25,954
Capital surplus	2,468	2,468
Capital surplus reserve	2,468	2,468
Retained earnings	41,608	51,539
Voluntary reserves	41,608	51,539
Retained earnings brought forward	41,608	51,539
Total shareholder equity	70,030	79,961
Valuation difference on available-for-sale securities	107	145
Total valuation and translation adjustments	107	145
Total net assets	70,138	80,106
Total liabilities and net assets	1,341,833	1,844,241

(2)Non-consolidated Statements of Income

(Unit: JPY million)

	For the fiscal year ending March, 31, 2015	For the fiscal year ending March, 31, 2016
Ordinary income	54,005	63,995
Interest income	34,606	41,530
Interest on loans and discounts	27,678	34,178
Interest and dividends on securities	1,123	761
Call loan interest	56	26
Interest on due from banks	144	253
Other interest received	5,603	6,309
Fees and commissions	16,325	18,559
Commission received on exchange transactions	4,790	5,419
Other fees and commissions income	11,534	13,139
Other ordinary income	2,792	3,468
Profit on foreign exchange	1,529	2,159
Gains on sales of bonds	—	0
Derivatives other than for trading revenue	1,257	1,303
Other ordinary income	5	5
Other income	280	437
Gain on bad debts recovered	—	2
Other income	280	434
Ordinary expenses	42,795	48,488
Interest expenses	2,557	2,702
Interest on deposits	2,505	2,640
Call money interest	8	0
Interest on borrowings	0	19
Bond interest	43	41
Other interest expense	—	0
Fees and commissions expense	20,387	24,338
Exchange fees paid	2,297	2,704
Other fees and commissions expense	18,090	21,634
Other operating expense	318	—
Other operating expense	318	—
General and administrative expenses	19,384	21,013
Other expenses	146	433
Provision on loss for doubtful accounts	101	333
Loss on write-off of equity	7	17
Other expenses	38	82
Ordinary profit	11,209	15,507
Extraordinary profit	5	0
Transfer from reserve for financial products transaction liabilities	5	0
Extraordinary losses	574	247
Loss on disposal of property and equipment	282	24
Impairment loss	252	5
Other extraordinary loss	39	216
Net Income before taxes	10,640	15,260
Provision for Income and other taxes	656	1,757
Adjustment to income and other taxes	1,498	3,571
Total income and other taxes	2,155	5,329
Current net income	8,485	9,931

6. Other Financial Information

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

(Unit: JPY million)

	As of March, 31, 2015	As of March, 31, 2016
Claims in bankruptcy and reorganization, and similar claims	123	19
Doubtful claims	60	385
Substandard claims	—	2
Normal claims	357,292	480,273
Total	357,476	480,681

(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, 2015	As of March, 31, 2016
Capital adequacy ratio	10.22%	10.25%
Total capital	71,219	80,161
Total required capital	27,857	31,270

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

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

(Unit: JPY million)

	As of March, 31, 2015	As of March, 31, 2016
Capital adequacy ratio	10.26%	9.96%
Total capital	71,493	80,224
Total required capital	27,865	32,217

(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, 2015				As of March, 31, 2016			
	Market value	Valuation difference		Market value	Valuation difference			
		Profit	Loss		Profit	Loss		
Other marketable securities	174,170	156	207	51	180,976	59	224	164
Equity	48	28	28	—	27	7	7	—
Bonds	131,854	80	100	19	125,037	127	131	4
Other	42,267	46	78	31	55,911	(75)	84	160

(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, 2015				As of March, 31, 2016			
	Book value	Unrealized profit and loss		Book value	Unrealized profit and loss			
		Profit	Loss		Profit	Loss		
Bonds held to maturity	12,500	593	593	—	12,500	765	765	—

(5) Derivative Transactions

① Interest Rate-related Transactions

(Unit: JPY million)

Category	Type	As of March, 31, 2015			As of March, 31, 2016		
		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	264,191	46	46	270,315	3	3
	Interest rate options	—	—	—	—	—	—
	Other	—	—	—	—	—	—
	Total			46			3

(Note) 1. The above is based on a mark-to-market valuation, and has been recorded on the Statements 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, 2015			As of March, 31, 2016		
		Contract value	Market value	Valuation profit/loss	Contract value	Market value	Valuation profit/loss
Exchange	Currency futures	—	—	—	—	—	—
	Currency options	—	—	—	—	—	—
OTC	Currency swap	—	—	—	—	—	—
	FX forwards	313,319	711	711	283,207	483	483
	Currency options	411	—	—	113	—	—
	Other	—	—	—	—	—	—
	Total			711			483

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

(Unit: JPY million)

Category	Type	As of March, 31, 2015			As of March, 31, 2016		
		Contract value	Market value	Valuation profit/loss	Contract value	Market value	Valuation profit/loss
Exchange	Bond futures	—	—	—	2,000	4	4
	Bond futures options	—	—	—	—	—	—
OTC	Bond OTC options	—	—	—	—	—	—
	Other	—	—	—	—	—	—
	Total			—			4

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

2. Market Value Calculation

Calculated according to the price of the exchange.

⑤ Product-related Transactions

No relevant transactions

⑥ Credit Derivative Transactions

No relevant transactions

(6) Margin Conditions

(Unit: %)

	Fiscal 2014	Fiscal 2015
Investment yield	2.97	2.74
Fundraising cost	2.00	1.65
Overall investment spread	0.97	1.09
Overall investment spread	0.23	0.18
Overall interest spread	2.74	2.56

(7) Deposit Conditions

(Unit: JPY million)

	As of March, 31, 2015	As of March, 31, 2016
Ordinary deposits	686,854	949,568
Term deposits	507,265	624,447
Other deposits	52,699	54,267
Total	1,246,819	1,628,284

(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, 2015	392,188	13,983	17,421	83,670	507,265
As of March, 31, 2016	521,771	25,355	21,558	55,763	624,447

(9) General and Administrative Expense Conditions

(Unit: JPY million)

	Fiscal 2014	Fiscal 2015
Employment costs	4,923	5,453
Non-employment costs	13,567	14,390
inc. depreciation costs	2,426	2,361
Tax	893	1,169
Total	19,384	21,013

(10) Officers and Employee Conditions

	Fiscal 2014	Fiscal 2015
Officers	9	9
Directors	6	6
Auditors	3	3
Employees	475	536
Total	484	545

(Note) Employees include non-regular or temporary employees, and employees seconded to Rakuten Bank, Ltd. while employees from Rakuten Bank, Ltd. seconded to other companies have been excluded from Fiscal 2015. Employees based on the previous method, excluding non-regular or temporary employees, and employees seconded from Rakuten Bank Ltd. to other companies while including employees seconded from other companies to Rakuten Bank Ltd., are 421 as of Fiscal 2014 and 463 as of Fiscal 2015.