

Disclosure
2017

 楽天銀行
Rakuten Bank

Annual Report
Year ended March 31, 2017

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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 2016 in our 2017 Annual Report for your review.

During fiscal 2016, concerns regarding the future of the global economy arose due to Brexit after the UK's referendum in June, US's activities to explore exit strategies from quantitative easing and decline in the Chinese economy despite the strong US economy driving growth. In Japan, we saw improvements in corporate performance, employment situation, and income environment by enjoying the benefits of a strong US economy and with the Bank of Japan's continuous ultra-easy monetary policy. However, the Japanese economy did not achieve a full-scale recovery from deflation. For banking industry, many banks' earnings decreased significantly due to an impact of a negative interest rate policy introduced by the Bank of Japan during the previous fiscal year.

Under this tough business environment, Rakuten Bank focused on introducing new services and enhancing our existing services to improve customer convenience as our top priority, and to aim at realizing a "reliable, secure and the most convenient bank." Reflecting these measures, Rakuten Bank exceeded 5.8 million accounts and deposit balance also exceeded ¥1,600 billion as of March 31, 2017. The balance of Rakuten Bank Super Loan (card loan) exceeded ¥350 billion and the balance of Rakuten Bank Home Loan exceeded ¥200 billion as of March 31, 2017, which contributed to the balance of loans to steadily expand to ¥640.9 billion (+34.9%).

As a result, our consolidated ordinary income was ¥70.5 billion, consolidated ordinary profit was ¥19.0 billion and net income attributable to owners of parent was ¥13.5 billion in fiscal 2016. We have also maintained the consolidated capital adequacy ratio at a healthy level of 11.15%.

We have put our effort into improving customer convenience by enhancing our smartphone services on the basis that the key device of the customers who use Internet has rapidly shifted from personal computer into smartphone. We specifically stressed advancing the Rakuten Bank App to the next level so that our customers can use almost all services through the smartphone app. In addition, we introduced an easy money transfer service called "Transfer by Viber" by using Rakuten Group's messaging app, and ATM locator which are particularly useful services for smartphone users. Furthermore, we significantly expanded the number of financial institutions and asset categories which can be linked, and improved an aggregate graph function of our free asset management tool "Money Support," which we believe will become our customers' primary financial portal in the future.

In addition, we collaborated with Rakuten Group's other services to enhance customer convenience. We started a partnership of the bank agency businesses with Rakuten Securities in July 2016 and with Rakuten Life Insurance in November 2016 which enabled customers of both companies to open a Rakuten Bank account more easily. We also established structure that our customers can trade securities without concern for transferring funds by adding an "Automatic deposit and withdrawal (Sweep) function" to "Money Bridge," the account linkage service jointly offered by Rakuten Bank and Rakuten Securities. We apply a preferential interest rate to extra funds in Rakuten Securities as well, to offer more convenient services at a competitive price. For customers who apply for our home loan, we started offering Rakuten Life Insurance's 8 disease long-term disability security with special agreement group credit life insurance ("Danshin"), and enabled our customers to apply for Danshin and complete their health condition notice via the Internet when they apply for home loan.

Rakuten Bank strives to expand our business and strengthen our profitability. We will put our effort to accelerate personal customers' account opening as well as strengthening our marketing to capture more daily use accounts than ever before. While we strive to promote a debit card and a prepaid card for the realization of a cashless society, we will examine and develop new cashless payment means with higher convenience. We also believe that corporate transaction is one of the areas we can offer our valuable services. Providing services rapidly to solve management challenges of small and medium-sized businesses by leveraging the system development capabilities, and fast and flexible processing capabilities that we've gained over the years, will also contribute to improving our profitability.

It is also important for us to accelerate our efforts toward FinTech which has recently been drawing more attention. By utilizing Rakuten Group's accumulated technologies and the most advanced technologies' research outcome, we aim to develop overwhelmingly highly convenient services. We are committed to analyze our vast amounts of data with the latest technologies, accurately offer valuable information to our customers through marketing and attractive investment products based on our customers' needs, improve our operation efficiency, and provide valuable services to each customer at an attractive price.

We strive to improve our business performance and maximizing our corporate value. We sincerely ask for your continued understanding and support.

July 2017

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 preferential 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**

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**

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**

With the Rakuten Bank App, it is easy to conduct transactions such as checking account balance and transaction details.

● **Rakuten Super Points for Various Services**

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.

● **Approximately 90,000 ATM available**

With the Viewcard's ATM (from August 2016), Rakuten Bank customers can use approximately 90,000 ATMs including Mizuho Bank, AEON Bank, E-Net, Seven Bank, JP Bank, LAWSON, the station ATM 'PatSat' and the Bank of Tokyo-Mitsubishi UFJ.

Rakuten Bank's more convenient and variety of "Personal" Services

Rakuten Bank strives to improve convenience through creating better services and offering them to our customers.

Adding functions to make asset management more convenient!

Money Support (Asset Management Tool)

New Feature!

- 1 Enables to link to more than 1,000 financial institutions!
- 2 Added new asset categories including "Electronic Money," "Royalty Point," "Mileage Point" and "Foreign Exchange (FX)"!
- 3 Added functions which automatically categorize and display asset by categories, and improved customization function!

What Money Support enables customers to do

Collectively manage asset status and transaction histories

"Money Support" enables customers to collectively manage their asset balances and transaction histories for more than 1,000 financial institutions including other bank accounts, credit card companies and securities firms as well as Rakuten Bank.

Understand net balance at a glance

"Money Support" automatically collects information of registered financial institutions which enables our customers to understand their current net balance at a glance. Customization function has improved and customers can change the aggregating period freely.

Provide advice to increase assets

"Money Support" automatically sends advice "to increase assets" to customers based on their current asset status.

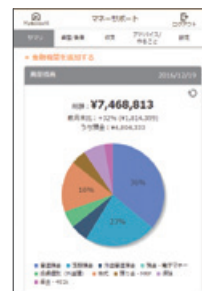


Image of asset data chart

Added a function to automatically display assets by categories.



Image of net balance data chart

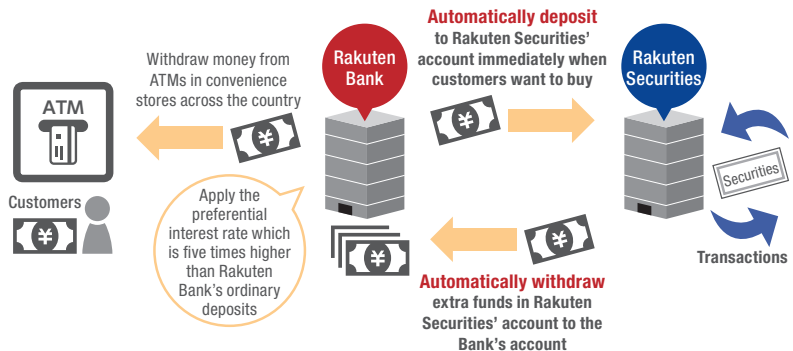
The transition of balance can be reviewed for the past 3 years.

Added an automatic deposit and withdrawal (Sweep) service

Money Bridge

New Feature!

- 1 Seamlessly deposit to Rakuten Securities' account!
- 2 Extra funds in Rakuten Securities' account are automatically transferred to Rakuten Bank's ordinary deposits and a preferential interest rate is applied!
- 3 Customers can withdraw money at any time from about 90,000 ATMs across the country!



What Money Bridge enables customers to do

Preferential interest rates

By just applying for Money Bridge which is free of charge, customers can receive preferential interest rates for their ordinary deposit of Rakuten Bank.

Automatic deposit and withdrawal (Sweep) services

Customers can trade smoothly when they make a purchase order at Rakuten Securities by utilizing "automatic deposit (sweep)" to cover shortage of funds from Rakuten Bank's ordinary deposits account balance. In addition, funds in Rakuten Securities account will be transferred to Rakuten Bank account at night of every business day. Therefore, our customers do not need to transfer money from Rakuten Securities account by themselves, and preferential interest rates will be applied. Deposit and withdrawal charges are free.

Happy Program

Customers can earn Rakuten Super Points through Rakuten Bank Happy Program depending on the transactions at Rakuten Securities

Investment Anshin Service

For customers with margin transaction accounts at Rakuten Securities, we provide the service that automatically transfers funds from a customer's Rakuten Bank ordinary deposit account to their Rakuten Securities account when the margin guarantee funds ration needs improvement or there are insufficient funds to complete a transaction.

New!

First in Japanese banking industry!
Enable to use in overseas too!

Rakuten Bank Prepaid Card (JCB)

- 1 Presenting premium value depending on the amount of money per charge!
- 2 Automatic charge function from Rakuten bank account is available!
- 3 Both annual and issuance fees are free!

Check!

Recommended to the customers below!

- Customers who are students, housewives and senior citizens

Customers who are over 16 can apply for a Rakuten Bank Prepaid Card (JCB), and no examination is required. Charge=Prepayment. Customers can set the usage upper limit per day, to prevent spending too much money.



Prepaid card with international brand can be used in Japan and overseas.

Premium values depending on the amount of charge

¥5,000~¥9,999	¥10,000~¥29,999	¥30,000~¥49,999	Over ¥50,000
¥25	¥70	¥240	¥500

New!

No payee account information required!

Transfer by Viber

- 1 No transfer fee required when transferring to Rakuten Bank accounts which are linked with Viber accounts!
- 2 Can transfer money to other banks' accounts!
- 3 Can transfer money with a message!



Customers can use "Transfer by Viber" from Rakuten Bank App or Viber App.

* "Rakuten Bank App" and "Viber" can be downloaded from App Store and Google Play for free.



Can transfer money by Facebook, too!

Customers can easily transfer money to friends who are registered in the friends list on their Facebook with "Rakuten Bank App"!



Can transfer money with only an email address and a name as well!

"Transfer by email (MailMoney)" is a service with which customers can transfer money if they have the email address and the name of the payee.

App

Rakuten Bank App ~Wide range of services is available at any time anywhere!~

Exceeding 3 million downloads!
Various services are available via this single tool.

Available main services

- Account opening
- Sending verification documents
- Checking account balance
- Checking transaction details
- Deposits and repayment of yen deposits (Ordinary / Term)
- Deposits and repayment of foreign currency deposits (Ordinary / Term)
- Regular bank transfer
- Easy bank transfer (MailMoney / Transfer by Facebook / Transfer by Viber)
- International remittance services / Receipt of foreign currency remittance
- Money Support (Asset Management Tool)
- ATM locator



<For iPhone> Recommended OS: After iOS9.x/8.x/7.x

<For Android> Recommended OS: After Android OS 4.0.0 of NTT DoCoMo, au and Softbank

* The Rakuten Bank App for smartphones which are compatible with iPhone and Android can be downloaded for free from App Store or Google Play.

* iPhone and App Store are the trademarks or registered trademarks of Apple Inc. in the United States and other countries.

* iOS is the trademarks or registered trademarks of Cisco Systems, 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.

Fingerprint authentication function

Enable quick login to Rakuten Bank App without entering the login password

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

*¹ Fingerprint authentication is only available to login to Rakuten Bank App for smartphones, for transactions such as transfer require entry of security code.

*² Login by entering the password is still available.

*³ Only available for after iOS8, and after iPhone5s models.

*⁴ Only available for after Android M6.0, and some models, and compatible devices are expanding.

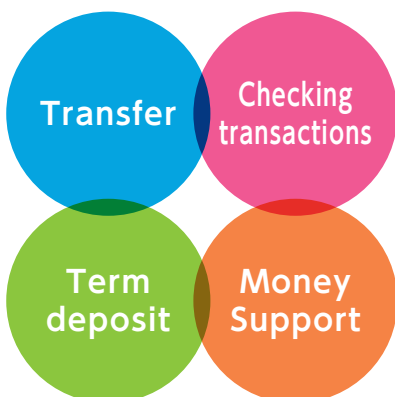


Easy and convenient login for 4 App services

3D Touch (quick action) login function enables shortcut login to the services you need

By using 3D Touch (quick action) login function*¹, you can shortcut login*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.

< Available services >



*¹ Available for above iOS9 and iPhone6s (plus) models. This is not available for Android.

*² Login by entering the password is still available.

*³ Entry of security code is required for transactions in each service.

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



Unique services

Happy Program ~Customer loyalty program with Rakuten Super Points~

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, customers can enjoy a variety of privileges such as no fees on ATM transactions and bank transfers to other banks.

	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
SV Super VIP Balance of ¥3 million or more, or 30 transactions or more	7 times/month	3 times/month	3 times	Payment with points allowed
V VIP Balance of ¥1 million or more, or 20 transactions or more	5 times/month	3 times/month	3 times	
Pr Premium Balance of ¥500 thousand or more, or 10 transactions or more	2 times/month	2 times/month	2 times	
A Advanced Balance of ¥100 thousand or more, or 5 transactions or more	1 time/month	1 time/month	1 time	
B Basic Entry	—	—	1 time	

Rakuten Bank Debit Card (JCB) ~1% point back, no charge for membership free~

Convenient to use like cash

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



>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
- No charge for membership fee or issuing commission
- Enable to use at any JCB merchant around the world

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!

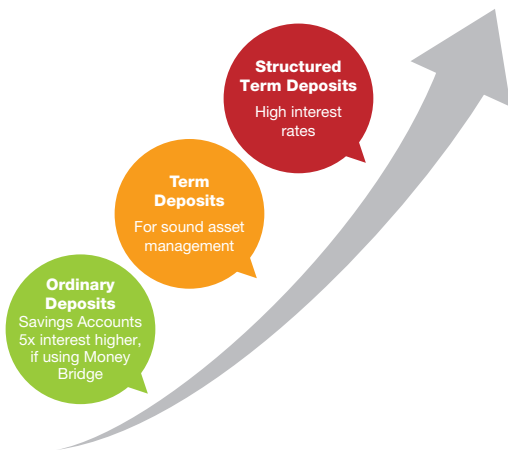
Savings

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, 2017) 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 (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 newly added 15 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 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 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.

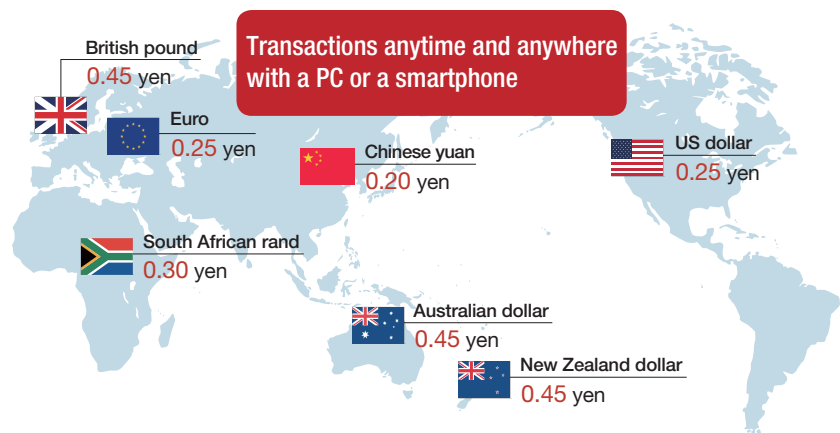
Currency exchange at competitive rates

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, 2017), 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 personal customers as of July 1, 2017



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.

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. We reduced USD/JPY currency pair spread to 0.003 yen in March 2017, thus New Rakuten Bank FX is now available with more attractive price.

1 24 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.

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 The advanced free trading tool app New Rakuten Bank FX powered by iSPEED for smartphone

Enables our customers to check exchange rate and news, and make an immediate order while checking chart even in a smartphone size by "AS Speed Order" function. Various necessary information for trading is available.

Borrowing

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

Loan Services

- Card Loan
- Home Loan
- University 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
- Application can be completed via smartphone. Required documents can be submitted by Rakuten Bank App
- No fee required for use of ATMs in the convenience stores. Available 24 hours a day with a PC or a mobile phone

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 is free even with 8 disease long-term disability security with special agreement. Prepayment and warranty fees not required
- Bridge Loans available
- No branch visits required
- Video consultation via Skype is available by 10:00 p.m. every day except the New Year's holiday

Advantages of Rakuten Bank University Education Loan

- Can finance to a maximum of 10 million Japanese yen. From 100,000 yen up to 5 million yen can be borrowed. For medical science, dentistry and pharmaceutical sciences university students, we can finance to a maximum of 10 million yen.
- Can apply from website and Rakuten Bank App. No branch visit required. Application can be made from Rakuten Bank website, and required documents can be sent via Rakuten Bank App, so no need to visit branch or post documents.
* Customers who apply for over 5 million yen or do not use Rakuten Bank App are required to send necessary documents by mail.
- Financing will be available on the next business day at earliest. 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
- Low interest rates, advantage of Internet bank. Customers can choose variable or fixed interest rates suitable for their plans.

Transfer payment services

Account Transfer (Automatic Withdrawal)

Rakuten Bank offers automatic withdrawal of over 150 types of payment including credit cards such as Rakuten Card, mobile phone bill, rent and insurance fees from our customers' ordinary deposit accounts every month. Happy Program members can also earn Rakuten Super Points per withdrawal.

Benefits of designating Rakuten Bank for Rakuten Card payment account

- Rakuten Bank ordinary deposit rates will be doubled!
If you select Rakuten Bank for Rakuten Card payment account, interest rates on Rakuten Bank ordinary deposits of the month following the withdrawal will be doubled.
- You can earn a maximum of nine points of Rakuten Super Points every month!
If you register for the Happy Program and Rakuten Card payment is withdrawn from the Rakuten Bank account, you can earn triple Rakuten Super Points (a maximum of nine points).

Monthly Transfer Registration

Rakuten Bank offers free automatic withdrawals of monthly fixed payments such as rent, parking charge, insurance fees, loan repayment, tuition fee, cumulative deposits and sending money home or children. You will no longer need to go to a bank every month for money transfer or worry about forgetting payments.

Convenient services

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 personal 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 personal customers cost an additional ¥3,000 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.

* Except 11:50 p.m.-0:10 a.m. weekdays, from 11:50 p.m. on Saturdays until 6:00 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 International remittance receipt service

The transaction fee per receipt is ¥2,450 for personal customers.

A remittance received in a foreign currency can be transferred to a foreign currency ordinary deposit in the same currency*¹ or to a yen ordinary deposit in Japanese yen.*²

*¹ A foreign currency ordinary deposit account is required.

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

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. A computer is used to randomly generate the results of the matches.



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

Numbers4, Numbers3, LOTO7, LOTO6 and Mini LOTO can be purchased. The Automatic Purchase System 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.

Rakuten Bank's "Corporate" Services to support corporate and sole proprietor customers

As a solution partner of corporate customers, Rakuten Bank offers more convenient and variety of services.

Deposits

Attractive easy, reliable and high interest rates

Yen Term Deposits

Customers can complete all process such as application and cancellation via the Internet. Customers can deposit from as short as one week to effectively manage the excess funds.

In addition to high interest rates, ordering in real time is possible

Foreign Currency Deposits

It is possible to conduct transactions of foreign currency deposits 24 hours a day during transaction hours*. Rakuten Bank's exchange rates are linked to prevailing market exchange rates.

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

Settlements

Lowest administration fee in the industry

Multi-Transfer Service

This service enables our customers to execute mass transfer (up to 3,000 transactions per application) to Rakuten Bank and other banks easily at low cost. Purchasing software and system development is unnecessary, and the initial installation cost and the maintenance fee are not required.

Check!

Recommended to the customers below!

- Corporate customers with mass expenses payment recipients and suppliers
- Corporate customers who are considering to enhance money transfer operational efficiency



Enables to transfer money with only payee's email address and name

MailMoney Mass Payment

It is a convenient service that our customers can execute mass transfer (up to 3,000 transactions per application) to anyone from Rakuten Bank account with only payee's email address and name.

Check!

Recommended to the customers below!

- Corporate customers who need to transfer money to their mass customers without their bank account information
- Corporate customers who are considering a cash back campaign etc.
- Corporate customers who expect to occur mass repayment process



New!

Can collectively transfer to employees' accounts

Salary and Bonus Transfer Service

This service enables our customers to significantly reduce hassle and costs without initial installation cost and basic monthly fee. By uploading a transfer data file on the web screen, our customers can execute mass transfer.

Check!

Recommended to the customers below!

- Corporate customers who have employees with Rakuten Bank personal accounts
- Corporate customers who are considering to reduce costs of salary and bonus transfer



Manages to execute up to **3,000** transfers per request



Initial installation cost **¥0**
Maintenance costs **¥0**



Purchasing software and system development are unnecessary and easy to use



Lowest transfer fee in the industry. Last-minute* transfer requests can be accepted

* Until 7:00 p.m. of the same day if all transfers are made to Rakuten Bank accounts

New!

Excellent crime prevention service recommended to store proprietors

Rakuten Bank Sales Proceeds ATM Deposit Service / 24 Hours Deposit BOX

When customers deposit each store's sales proceeds to the deposit-only account via the tie-up ATMs near the store, it will be immediately transferred to the parent's account. Our customers can understand each store's sales proceeds by only checking the parent account's statement. Deposit can be made safely and conveniently from over 90,000 tie-up ATMs across the country.

Check!

Recommended to the customers below!

- Corporate customers with multiple stores
- Customers who don't have night deposit of their banks near their stores



Can deposit each store's sales proceeds via ATMs in nearby convenient stores 24 hours a day



Can apply for, add and cancel the account in units of one account



More reasonable price than night deposit of traditional banks



Deposited proceeds will be automatically transferred to customer's corporate business account

1% cashback based on spending!

Rakuten Bank Business Debit Card

- 1 Convenient to use instead of cash
- 2 Can use like a credit card without worrying about spending limits
- 3 Multiple cards can be applied for in each account

Business debit card will be useful in these scenes!



At the stores and restaurants in Japan!

Debit card is accepted at all JCB member stores in Japan.
*There are some stores and services for which debit card is not accepted.



For purchasing goods via online!

Customers can make a payment by entering the debit card number, same as entering the credit card number.



For overseas business trip!

Customers can use the cards at the stores with "JCB" mark abroad like in Japan. No need to exchange money!



Supporting Internet banking payment services by just adding a link

Rakuten Bank Easy Settlement

It is a convenient settlement service for Internet shopping.

Our customers' clients can pay through a dedicated payment screen on the customers' website if they have Rakuten Bank ordinary deposit accounts. Our customers can easily introduce the service by just adding a link to Rakuten Bank's "money transfer" page on their website or in a payment guidance email.



Recommended to the customers below!

- Customers who operate E-commerce websites
- Customers who are considering to introduce easy settlement system



Much more convenient "Easy Settlement" service!

Rakuten Bank Easy Settlement Plus

It is a service where convenient functions are added to "Easy Settlement" service.

1 Smooth settlement in real time

Customers can complete an immediate settlement or make a quick money transfer to the securities firms and others, by logging in to their Rakuten Bank ordinary deposit account and entering the passwords to approve the settlement because customer's information such as a customer ID, the item number and the purchase amount can be handed over in real time.

2 Transfer screen can be customized

Customers who have introduced the service can add their companies' name and store logos onto their "transfer screens" and also set the abstract items (the item name, the item number, membership number, etc.) up to 5 items which are required to be cleared after receiving the deposits.

3 Extensive functions such as age verification offered

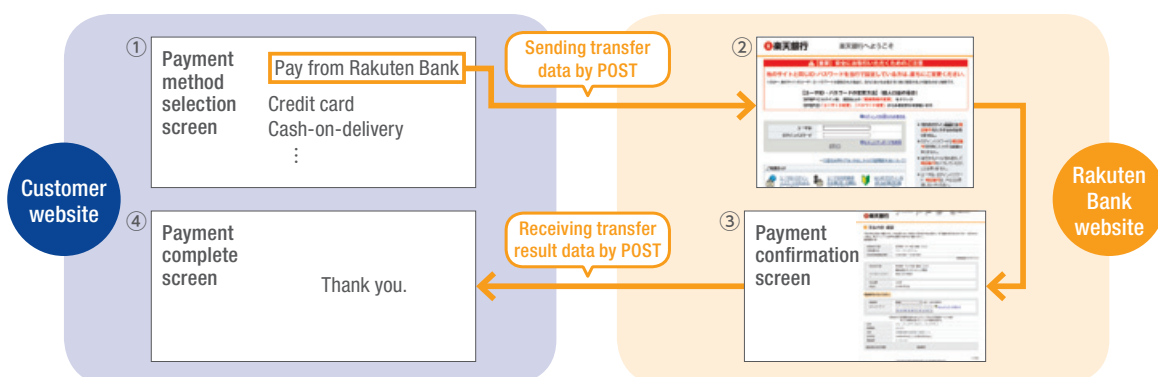
Customers can use the "age verification function"* and so on, by handing over information to Rakuten Bank.

* It is the function to verify age of personal customers. Purchase amount can be limited by specific customer age groups.



Recommended to the customers below!

- Customers with a full-scale E-commerce website operation
- Customers such as securities firms who offer quick transfer services
- Customers who run large-scale businesses



Can transact via the Internet
24 hours a day

International Remittance Services

Customers can make remittances*1 to over 200 countries and regions in the world and receive remittances from abroad via the Internet 24hours a day*2 easily, safely and speedily.

There are no introductory or monthly fees.

*1 Can't transfer abroad in foreign currency from foreign currency ordinary deposit. It is necessary to exchange from yen ordinary deposit to foreign currency each time to make remittance.

*2 Except 11:50 p.m.-0:10 a.m., weekdays, from 11:50 p.m. on Saturdays until 6:00 a.m. on Mondays, Dec. 31-Jan. 3 and other times as necessary for system maintenance.

	Remittance	Remittance receipt
Fees (per transaction)	¥1,000*3	Corporate customer: ¥2,000 Sole proprietor: ¥2,450 A remittance received in a foreign currency can be transferred to a foreign currency ordinary deposit in the same currency*4 or to a yen ordinary deposit in Japanese yen*5.
Currencies	68 currencies	6 currencies (USD, EUR, GBP, AUD, NZD, ZAR)

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

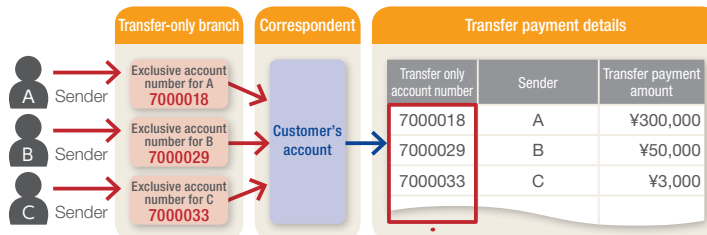
*4 A foreign currency deposit account is required.

*5 Our exchange rate will be applied when depositing a foreign currency to a yen ordinary deposit account in Japanese yen.

Convenient for identifying senders and clearing

Rakuten Bank Secured Receipt Service / Rakuten Bank Just Match

Upon receiving a transfer payment to the "transfer payment-only account number" assigned to each sender, funds will be transferred to our customers' Rakuten Bank ordinary deposit account. As 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.



It is possible to confirm senders by the account numbers!

Check!

Recommended to the customers below!

- Corporate customers who are considering rationalization of accounts receivable cash application
- Customers who receive deposits from unspecified large number of clients

Financing

Supporting business funds based on the needs!

Rakuten Bank Business Loan

New!

Rakuten Bank has been offering settlement and deposit services to corporate and sole proprietor customers and started the business loan in 2016 to meet the customers' demands for business funds.

<Examples of loan customers>

- Lighting equipment rental company for offices and stores
- Apartments renovation company
- Confectionery manufacture and sales company
- Digital content production company etc.

Applicable applicants

Corporations or sole proprietors who meet requirements below:

- Customers with Rakuten Bank ordinary deposit accounts
- Customers who can submit the fixed financial statements or final return forms for 3 years
- Customers who have no arrears in taxes, and loan delinquencies from other financial institutions at the time of application
- Customers who meet Rakuten Bank's examination criterion

Use of funds

Working capital

Amount of loan

From ¥1 million up to ¥100 million (in units of ¥0.1 million)

Term of loan

Within 5 years

Security

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

Important Security Measures

Rakuten Bank App for Business ... Enhancing security by smartphone

Smartphone app for corporate and sole proprietary business accounts which enables our customers to conduct authentication by a password valid for a certain period that is displayed on the smartphone.

- A stronger security by “One-time Password” which will change every 30 seconds
- Enables our customers to make a transaction quickly and securely as they can easily check by smartphone
- A user can add up to five hand-sets used for authentication



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 email address registered by the customer
- Effective against key loggers and other spyware



We request our customers to register their mobile phone or smartphone email address to ensure more secure environment for the transaction.

Rakuten Bank's Security Environment

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.

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.

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.

Mobile Access Restriction

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

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 Prevention of identity theft or fraudulent use by third parties

Security

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.

JCB J/Secure

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

Advantage Prevention of identity theft or fraudulent use by third parties for Internet shopping

Maximum Limits on Transfers

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

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.

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

Security Keyboard

We provide a security keyboard, which utilizes one-time functionality, enables our customers to enter their login passwords or pin code on the screen without the need for a keyboard.

Advantage Prevention of key loggers

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 Symantec Website Security's (former VeriSign Japan KK) Extended Validation SSL (EV-SSL).

Advantage Prevention of damages from fraud related to phishing

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

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.

Personal Customers

Compensation for Cash Card Related Fraud

For personal 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.

Corporate and Sole Proprietor Customers

Compensation for Internet Banking Fraud

In the case that a corporate or a sole proprietor customer is a victim of an unauthorized repayment through Internet banking, we will compensate the customer to the maximum limit.

Compensation for Internet Banking Fraud

In the case that an personal 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, even if Rakuten Bank is not at fault.

* In cases of a customer's gross negligence or negligence regarding cash card or Internet banking, it is possible that the loss will be deemed ineligible for compensation or only partial compensation will be paid. For more details, please refer to our website.

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). For more details, please refer to our website.

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.

* Some cases may not be subject for compensation. For more details, please refer to our website.

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 Iikoto Program

The Chokotto Iikoto 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 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 'Rakuten's Forest'	July 3, 2014 ~	JPY 477,893 (As of June 30, 2017)
Rakuten Clutch Fundraising Initiative 'Mirai no tsubasa'	November 10, 2014 ~ April 2, 2017	JPY 3,372,114
Rakuten Clutch Fundraising Initiative for Italy Earthquake	August 31, 2016 ~ September 30, 2016	JPY 218,853
Rakuten Clutch Fundraising Initiative for Typhoon No. 10	September 5, 2016 ~ October 31, 2016	JPY 527,686
Rakuten Clutch Fundraising Initiative for Haiti Hurricane	October 12, 2016 ~ November 13, 2016	JPY 54,891
Rakuten Clutch Fundraising Initiative for Tottori Earthquake	October 26, 2016 ~ November 30, 2016	JPY 323,997
Rakuten Clutch Fundraising Initiative for Fire in Itoigawa City	December 27, 2016 ~ January 25, 2017	JPY 335,565

Financial Highlights

In fiscal 2016, the total accounts achieved over 5.8 million and the deposit balance also steadily increased. In addition, home loan balance exceeded ¥200 billion. Core Net Business Profit was ¥19 billion and net income attributable to owners of parent was ¥13.5 billion.

(Unit: Millions of Yen)

	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	Fiscal 2016 (March 31, 2017) Consolidated
Ordinary Income	41,233	45,453	54,165	64,584	70,591
Gross Ordinary Profit	25,635	26,336	30,618	37,097	40,865
Net Interest Income	20,362	25,878	32,048	38,877	44,223
Net Fee and Commission Income	615	▲ 1,844	▲ 4,045	▲ 5,760	▲ 6,281
Net Other Operating Income	4,657	2,303	2,474	3,468	2,338
Trust Fee	—	—	141	510	584
General and Administrative Expenses	17,246	19,160	19,465	21,381	21,738
Ordinary Profit	8,364	7,518	11,287	15,716	19,083
Net Business Profit	8,396	7,176	11,099	15,542	18,950
Core Net Business Profit	5,859	7,176	11,153	15,715	19,094
Net income attributable to owners of parent	11,817	—	8,559	10,105	13,526
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

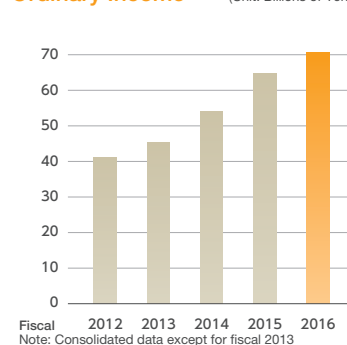
Ordinary Income, Ordinary Profit and Core Net Business Profit

Ordinary income was ¥70.59 billion (a year-on-year increase of 9.3%), ordinary profit was ¥19.08 billion (an increase of 21.4%).

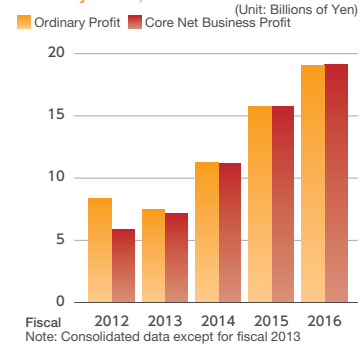
The increase in the balance of Home Loan and Rakuten Bank Super Loan (card loan), and the growth of the income from fund management, mainly due to the strong increase in the balance of the trust beneficially right of Rakuten Card Co., Ltd., and the increase in the commission income of various services such as home loan, public races, toto and BIG, etc. contributed to increases in both sales and profit.

The core net business profit reached a record high of ¥19.09 billion (an increase of 21.4%).

Ordinary Income (Unit: Billions of Yen)



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



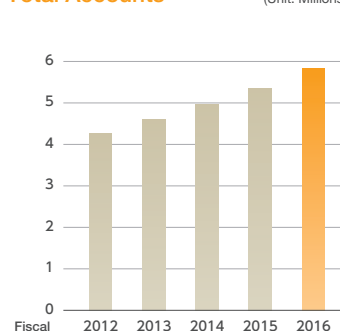
Total Accounts and Total Settlements

Total accounts reached 5.8 million (a year-on-year increase of 8.7%).

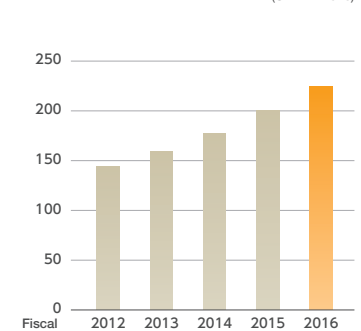
63% of all accounts are registered as Happy Program members (Rakuten ID linkage), and 8% of customers have applied for the Money Bridge (bank/ securities account linkage with Rakuten Securities, As of March 31, 2017).

In addition, the total number of settlements steadily increased in 224 million (an increase of 11.9%).

Total Accounts (Unit: Millions)



Total Settlements (Unit: Millions)



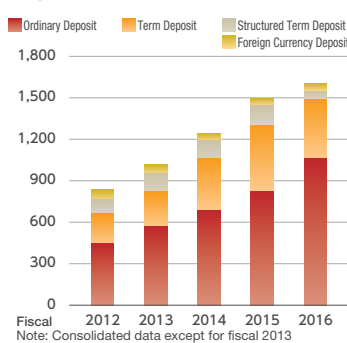
Financial Highlights

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

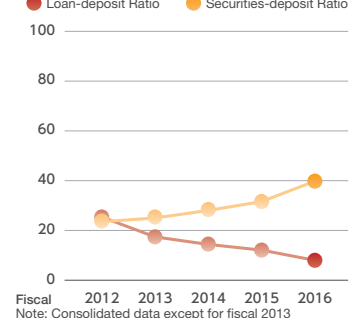
Deposits as of the end of fiscal 2016 were as follows: Ordinary deposits were ¥1,061.4 billion, term deposits were ¥428.9 billion, structured term deposits were ¥57.4 billion and foreign currency deposits were ¥58.7 billion, leading to total deposits of ¥1,606.5 billion (a year-on-year increase of 7.0%).

Our loan-deposit ratio, led by the increase in Home Loan balance and Rakuten Bank Super Loan (card loan) balance, achieved 39.8%, and our securities-deposit ratio was 8.0%.

Deposit Balance (Unit: Billions of Yen)



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

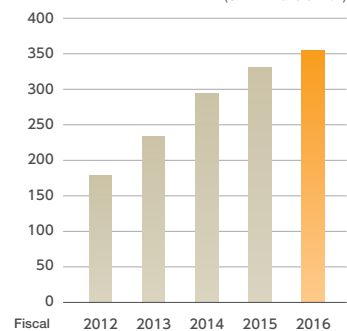


Card Loan Balance and Card Loan Membership

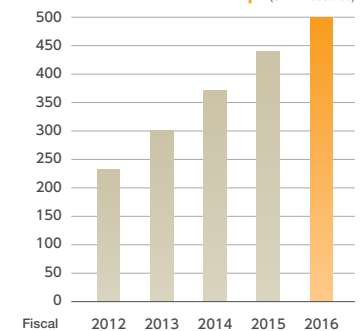
The balance of Rakuten Bank Super Loan (card loans) has strongly increased since the service launched in April 2009, and the loan balance as of the end of fiscal 2016 achieved ¥354.1 billion (a year-on-year increase of 7.1%). Home Loan balance has significantly increased and exceeded ¥200 billion in March 2017.

As a result, total loans outstanding was ¥640.9 billion (increase of 34.9%). The number of members also steadily increased to 500 thousand (increase of 13.7%).

Card Loan Balance (Unit: Billions of Yen)



Card Loan Membership (Unit: Thousands)

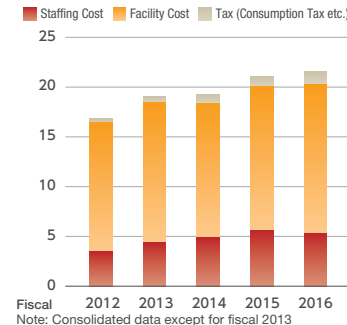


General and Administrative Expenses and Expense Ratio

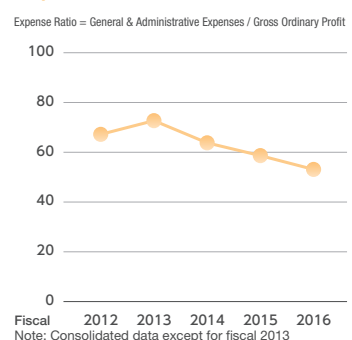
General and administrative expenses were ¥21.7 billion in the fiscal 2016 due to strict cost control (a year-on-year increase of 1.6%).

The expense ratio decreased to 53.1% (a 4.5% decrease from FY2015).

General and Administrative Expenses (Unit: Billions of Yen)



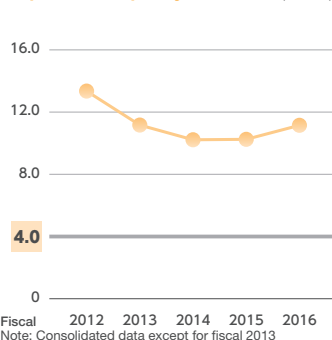
Expense Ratio (Unit: %)



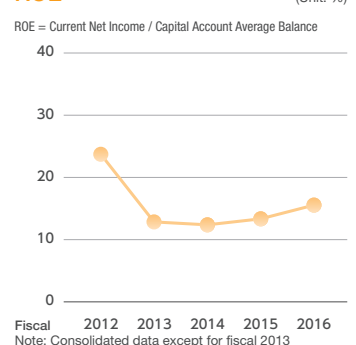
Capital Adequacy Ratio and ROE

The capital adequacy ratio (Japanese standard) was 11.15%, 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 15.55%.

Capital Adequacy Ratio (Unit: %)



ROE (Unit: %)



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

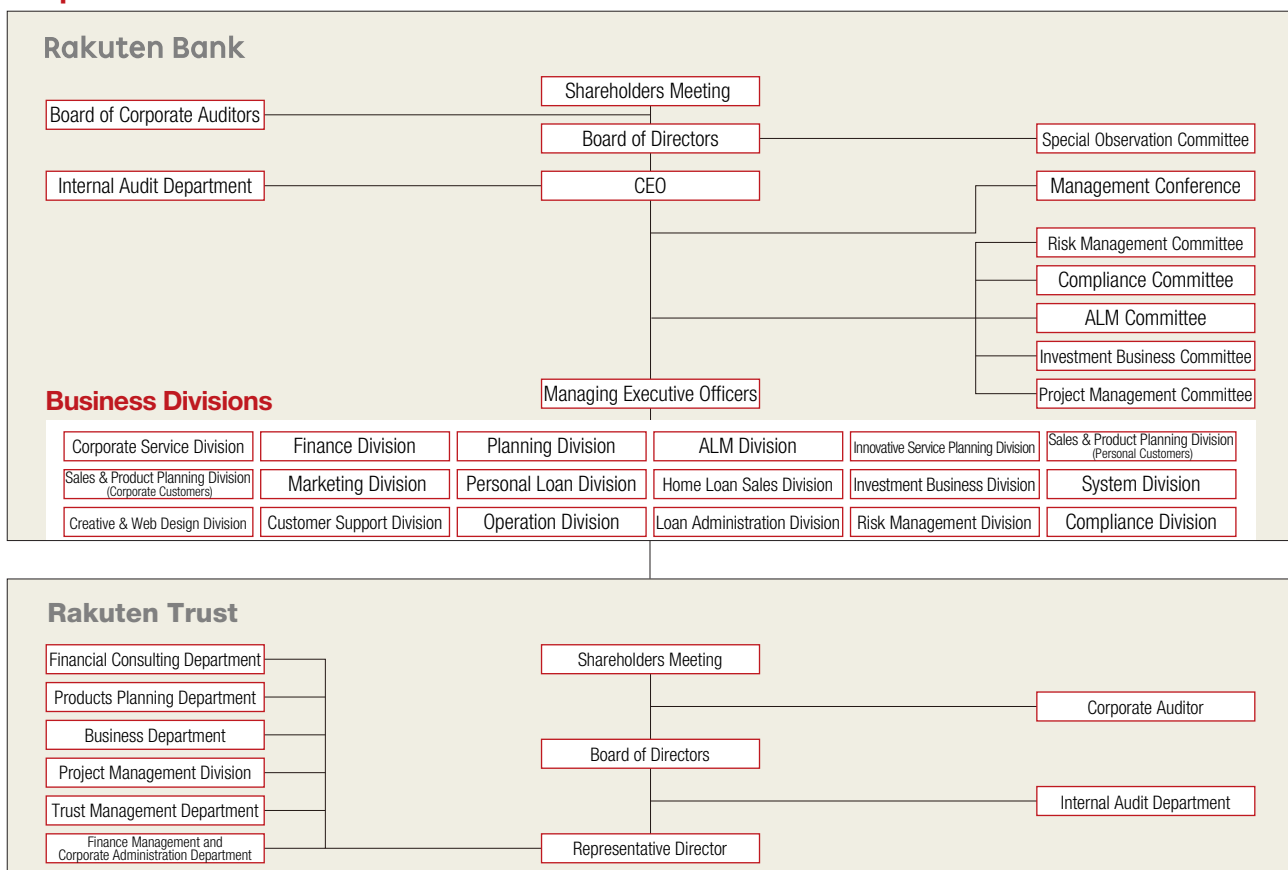
Business Operations

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.

Corporate Governance Structure (As of July 1, 2017)



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, 2017, 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, 2017, 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.

Business Operations

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.

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, Kenji Kuroda. Structure of assistants for accounting audit services: 3 certified public accountants and 7 other persons.

6 Relationship with External Directors and External Corporate Auditors (As of July 1, 2017)

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 the Director of 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.

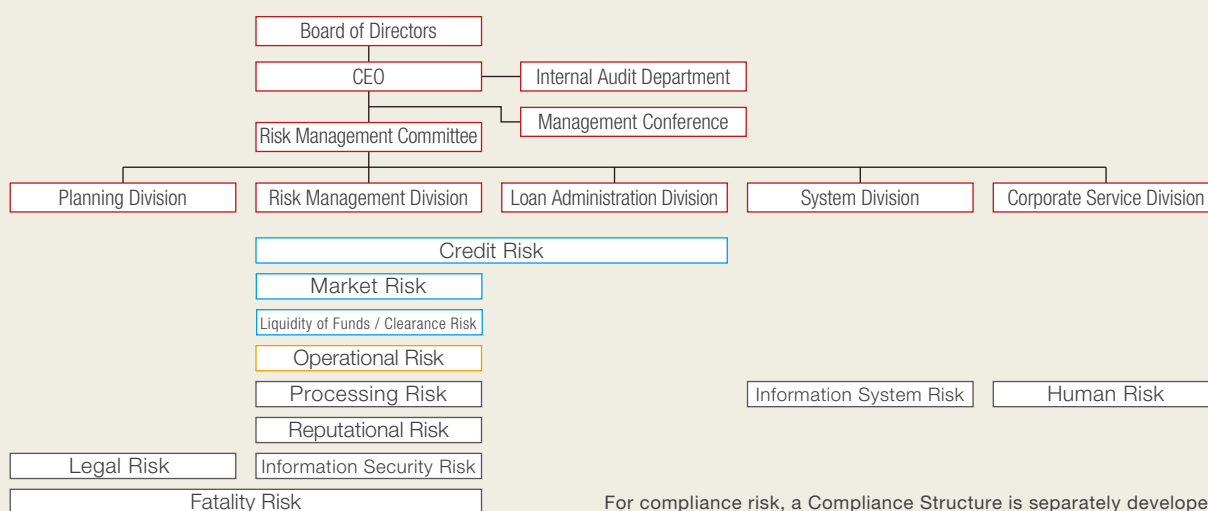
Business Operations

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, 2017)



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 Planning 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 2016 (April 1, 2016~March 31, 2017)

New Products and New Services

- 2016**
- Rakuten Bank Education Loan tie-up with Waseda University and Meiji University (April)
 - Started offering 100 yen BIG (April)
 - Launched affiliated loan with Premium Financial Services Co., Ltd. (June)
 - Started a partnership of the bank agency businesses with Rakuten Securities Inc. (July)
 - Revised product contents of Rakuten Bank Super Loan (card loan) (July)
 - Started ATM tie-up and account transfer services with Viewcard Co., Ltd. (August)
 - Launched Rakuten Bank Business Loan (August)
 - Launched Rakuten Bank Sales Proceeds ATM Deposit Service / 24 Hours Deposit BOX (August)
 - Addition of a new currency pair RMB/JPY to New Rakuten Bank FX (September)
 - Launch of Transfer by Viber via Rakuten Bank App for smartphones (September)
 - Started accepting an application for account transfer service for NHK reception fees (October)
 - Started a partnership of the bank agency businesses with Rakuten Life Insurance Co., Ltd. (November)
 - Started accepting national treasury funds (social insurance, national tax) (November)
 - Tie-up with inet for "Collaborative Just Match" (December)
 - Started WEB application and health condition notice service for group credit life insurance (December)
- 2017**
- Started issuing Rakuten Bank Prepaid Card (JCB) (January)
 - Added a new product, the maximum deposit term of 15 years, to Structure Term Deposits "Rakuten Exte Deposit (Flat)" (February)
 - Launched "Salary and Bonus Transfer Service" for corporate customers (March)
 - Revised New Rakuten Bank FX USD/JPY currency pair spread (March)

Enhancing Transaction Environment

- 2016**
- Complied with PCI DSS, Payment Card Industry Data Security Standard (June)
 - Started offering "Rakuten Bank App for Business" to corporate customers (August)
 - Enhanced "Money Support" by expanding the number of financial institutions and asset categories to be linked (October)
- 2017**
- Started offering "Rakuten Bank App for Business" to sole proprietor customers (January)
 - Renewed "Money Support" by adding asset data graph display function (January)
 - Added an automatic deposit and withdrawal function to "Money Bridge," the account linkage service jointly offered by Rakuten Bank and Rakuten Securities (February)

Others

- 2016**
- Received "Country Winner" of the Global Finance World's Best Digital Bank Awards for the second consecutive year (August)
- 2017**
- Received "Mobile Banking Application of the Year Award" from The Asian Banker (March)

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.	July	Head office moved to Shinagawa-ku, Tokyo.	
	June	Certification based on the revision of New Business Creation Promotion law by the Ministry of Trade and Industry.	2010	March	Launch of eBANK Happy Program customer loyalty program.
	October	Establishment of our data center.	May	Change of corporate name to Rakuten Bank, Ltd.	
2001	July	Official launch of eBANK, after obtaining banking license. (Financial Supervisory Bureau No. 3912)	July	Launch of business alliance with Rakuten Securities, Inc. to provide financial product intermediary business.	
2002	April	Launch of Mobile Banking Service.	October	Became a wholly owned subsidiary of Rakuten, Inc.	
	November	Launch of Easy Bank Transfer (MailMoney) email transfer service.	December	Acquisition of Rakuten Mortgage Co., Ltd.'s business.	
2003	July	Launch of ATM deposit and withdrawal service via Japan Post.	2011	January	Launch of online Corporate International Remittance business.
	August	Launch of ATM deposit and withdrawal service via IY Bank (Present: Seven Bank, Ltd.).	April	Launch of Rakuten Bank x Rakuten Securities account linkage service Money Bridge.	
	December	Launch of IP address restriction service.	2012	July	Launch of receiving transfers of national treasury funds (pension, civil servant salaries).
2004	October	Establishment of eBANK Systems, Ltd. (Present: Rakuten Bank Systems, Ltd.)	2013	January	Transfer of domestic investment trust sales business to Rakuten Securities, Inc.
	December	Launch of real time Easy Bank Transfer (MailMoney) service.	November	Launch of Rakuten Bank Home Loans (variable interest rate).	
2005	February	Registered with Kanto Local Finance Bureau as a financial institution able to execute securities business. (Kanto Finance Bureau No. 609)	December	Total deposits exceeded ¥1 trillion.	
	August	Launch of "toto" sports promotion lottery ticket sales online.	2014	April	Received a long-term issuer rating (A-) and a short-term issuer rating (J-1) from Japan Credit Rating Agency, Ltd.
	October	Establishment of eBANK Capital Management (Cayman) Ltd. (consolidated subsidiary), fully funded by our corporation.	August	Launch of Transfer by Facebook, a transfer service using Facebook.	
	November	Launch of investment trust business.	September	Acquired 100% ownership of The Trans Value Trust Company, Limited.	
	December	Launch of investment trust business.	December	Launch of Rakuten Bank Education Loan.	
2006	January	Direct connection to the National Bank data communications system.	2015	April	Launch of Rakuten Bank Debit Card (JCB).
	February	Obtained license to be a principal member of VISA International Service Association.	May	Became the first Internet bank in Japan to exceed 5 million accounts.	
2007	June	Registered with Kanto Local Finance Bureau as a financial institution able to execute futures transactions business. (Kanto Finance Bureau No. 176)	May	Rakuten Bank Super Loan (card loan) balance exceeded ¥300 billion.	
	July	Launch of cash card with VISA Debit card function.	June	The number of Rakuten Bank App (for iPhone) downloads exceeded 1 million.	
	September	Received approval from the Financial Services Agency to operate guaranteed unsecured personal loans business.	August	Head office moved to Setagaya-ku, Tokyo.	
2008	September	Capital and business alliance with Rakuten, Inc.	2016	March	Rakuten Bank Home Loan balance exceeded ¥100 billion.
	September	Received approval from the Financial Services Agency to operate personal credit business.	March	Launch of Rakuten Bank Business Debit Card (JCB).	
2009	February	Received approval for Rakuten, Inc to become the majority shareholder of eBANK and our parent company.	August	Launch of Rakuten Bank Business Loan	
	March	Received approval from Financial Services Agency to operate personal credit business.	September	Launch of Transfer by Viber, a transfer service using Viber	
	April	Inherited part of the card loan business of Rakuten Credit, Inc. and launched personal card loan business.	September	Total accounts exceeded 5.55 million	
	May	Rakuten Mortgage Co., Ltd. became a wholly owned subsidiary of Rakuten Bank, Ltd.	November	Started accepting national treasury funds (social insurance, national tax)	
			2017	January	Launch of Rakuten Bank Prepaid Card (JCB)
			March	Launch of salary and bonus transfer service	
			March	Rakuten Bank Home Loan balance exceeded ¥200 billion	

Rakuten Bank, Ltd.

Rakuten Crimson House,
1-14-1 Tamagawa, Setagaya-ku,
Tokyo, 158-0094

<https://www.rakuten-bank.co.jp>