

# Rakuten Bank, Ltd.

## Annual Financial Report (Consolidated) for Fiscal 2017

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The following information was originally prepared and published by Rakuten Bank, Ltd. in Japanese in accordance with the provisions set forth in the Company Law of Japan and the Banking Act of Japan and in conformity with generally accepted accounting principles and practices in Japan.

This English translation is for your convenience only. To the extent there is any discrepancy between this English translation and the original Japanese version, please refer to the Japanese version.

(Note: Amounts less than one million yen are rounded down)

(Number show in parentheses indicate negative figures)

**1. Consolidated Results for the Fiscal Year Ended March 31, 2018(April, 1, 2017 to March 31, 2018)**

(1) Consolidated Operating Results (% represents the change from the previous fiscal year)

	Ordinary Income		Ordinary Profit		Net Income Attributable to Owners of Parent	
	JPY million	%	JPY million	%	JPY million	%
March 31, 2018	79,720	12.9	23,660	23.9	16,433	21.4
March 31, 2017	70,591	9.3	19,083	21.4	13,526	33.8

(Note) Comprehensive income: Fiscal 2017 JPY16,707MM (25.6%) Fiscal 2016 JPY13,297MM (31.3%)

	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
	JPY	JPY	%	%	%
March 31, 2018	6,994.57	—	16.1	1.1	29.6
March 31, 2017	5,757.20	—	15.5	1.0	27.0

(Reference) Equity in Income from Investments in Affiliates: Fiscal 2017- Fiscal 2016 -

(2) Consolidated Financial Position

	Total Assets	Total Net Assets	Own capital ratio	Total Net Assets per share
	JPY million	JPY million	%	JPY
March 31, 2018	2,353,510	110,367	4.6	46,975.20
March 31, 2017	1,876,770	93,660	4.9	39,864.26

(Reference) Own capital: Fiscal 2017 JPY 110,367MM Fiscal 2016 JPY 93,660MM

(Note) "Own capital ratio" is calculated as follows: (Total net assets – Subscription rights to share – Minority interest) / Total Assets x 100 at year end. Own capital ratio stated above is not capital adequacy ratio (Japanese domestic standard).

(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
	JPY million	JPY million	JPY million	JPY million
March 31, 2018	124,087	(6,576)	—	457,807
March 31, 2017	(172,644)	48,433	—	340,296

## 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, 31,2019 (April, 1, 2018- March, 31,2019)

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

※ Special notes

(1) Changes in significant subsidiaries during this period: No

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

① Changes in accounting policies due to revision of accounting standards: No

② Changes in accounting policies due to reasons other than ①: No

③ Changes in accounting estimates: No

④ Restatements: No

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

① Total stocks outstanding including treasury stocks	March, 31, 2018	2,349,484 shares	March, 31, 2017	2,349,484 shares
② Treasury stocks	March, 31, 2018	— shares	March, 31, 2017	— shares
③ Average outstanding stocks	March, 31, 2018	2,349,484 shares	March, 31, 2017	2,349,484 shares

## (Reference) Summary of non-consolidated financial data

## 1. Non-consolidated Results for the Fiscal Year Ended March, 31, 2018(April, 1, 2017 to March, 31, 2018)

## (1) Non-consolidated Operating Results (% represents the change from the previous fiscal year)

	Ordinary Income		Ordinary Profit		Net Income	
	JPY million	%	JPY million	%	JPY million	%
March, 31, 2018	79,142	13.2	23,425	24.9	16,283	22.3
March, 31, 2017	69,886	9.2	18,747	20.8	13,303	33.9

	Net Income per share	Diluted Net Income per share
	JPY	JPY
March, 31, 2018	6,930.51	—
March, 31, 2017	5,662.27	—

## (2) Non-consolidated Financial Position

	Total Assets	Total Net Assets	Own capital ratio	Total Net Assets per share
	JPY million	JPY million	%	JPY
March, 31, 2018	2,470,385	109,746	4.4	46,710.68
March, 31, 2017	1,993,134	93,189	4.6	39,663.80

(Reference) Own capital: Fiscal 2017 JPY 109,746 MM Fiscal 2016 JPY 93,189 MM

(Note) "Own capital ratio" is calculated as follows: (Total net assets – Subscription rights to share) / Total Assets at year end. Own capital ratio stated above is not capital adequacy ratio (Japanese domestic standard).

## 4. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

(Unit: JPY million)

	As of March, 31, 2017	As of March, 31, 2018
<b>Assets</b>		
Cash and due from banks	340,296	467,807
Call loans	20,000	45,000
Monetary claims bought	686,195	844,278
Marketable securities	129,784	133,295
Loans and bills discounted	640,966	801,841
Foreign exchange	8,414	14,953
Other assets	40,074	36,289
Property, plant and equipment	2,076	2,073
Building	471	416
Other property, plant and equipment	1,604	1,656
Intangible assets	6,605	6,777
Software	5,359	5,454
Software-in-progress	971	1,084
Goodwill	274	238
Other intangible assets	0	0
Deferred tax assets	2,585	2,017
Customer liabilities for acceptances and guarantees	551	570
Allowance for doubtful accounts	(782)	(1,393)
<b>Total assets</b>	<b>1,876,770</b>	<b>2,353,510</b>
<b>Liabilities</b>		
Deposits	1,606,566	2,010,131
Borrowed money	149,750	189,750
Foreign exchange	194	156
Bonds payable	4,000	4,000
Other liabilities	21,510	37,966
Reserve for bonus	340	347
Reserve for directors' bonus	2	3
Reserve for reimbursement of deposits	8	19
Reserve for loyalty award credits	182	196
Contingency loss provision	2	—
Acceptances and guarantees	551	570
<b>Total liabilities</b>	<b>1,783,109</b>	<b>2,243,143</b>

**Net assets**

Common stock	25,954	25,954
Capital surplus	2,468	2,468
Retained earnings	65,313	81,747
Total Shareholder Equity	93,736	110,169
Valuation difference on available-for-sale securities	(41)	71
Deferred gains (losses) on hedges	(34)	125
Total valuation and translation adjustments	(75)	197
Total net assets	93,660	110,367
Total liabilities and net assets	1,876,770	2,353,510

## (2) Consolidated Statements of Income

(Unit: JPY million)

	For the fiscal year ended March, 31, 2017	For the fiscal year ended March, 31, 2018
Ordinary income	70,591	79,720
Interest income	46,258	52,819
Interest on loans and discounts	38,558	42,796
Interest and dividends on securities	275	260
Call loan interest	0	8
Interest on receivables under securities borrowing transactions	0	—
Interest on due from banks	227	234
Other interest received	7,195	9,520
Fees and commissions	20,775	22,386
Other operating income	2,484	3,400
Other income	488	584
Gain on bad debts recovered	2	3
Other income	485	581
Trust fee	584	529
Ordinary expenses	51,507	56,060
Interest expenses	2,034	1,992
Interest on deposits	1,943	1,822
Call money interest	(9)	(14)
Interest on borrowings	46	0
Bond interest	37	36
Other interest expense	16	147
Fees and commissions expense	27,056	29,723
Other operating expense	145	—

General and administrative expenses	21,738	23,484
Other expenses	531	860
Provision on loss for doubtful accounts	410	736
Other expenses	121	123
Ordinary profit	19,083	23,660
Extraordinary profit	6	2
Transfer from reserve for financial products transaction liabilities	6	2
Extraordinary losses	54	106
Loss on disposal of property and equipment	31	52
Impairment loss	4	—
Other extraordinary loss	17	54
Net Income before taxes	19,035	23,556
Provision for Income and other taxes	2,459	6,660
Adjustment to income and other taxes	3,049	462
Total income and other taxes	5,508	7,122
Current net income	13,526	16,433
Net income attributable to owners of parent	13,526	16,433

## (3) Consolidated Statements of Cash Flows

(Unit: JPY million)

	For the fiscal year ended March, 31, 2017	For the fiscal year ended March, 31, 2018
Cash flows from operating activities:		
Income before income taxes and others	19,035	23,556
Depreciation	2,471	2,494
Impairment loss	4	—
Amortization of goodwill	35	35
Increase (decrease) in allowance for doubtful accounts	344	611
Increase (decrease) in reserve for bonuses	36	6
Increase (decrease) in reserve for officer's bonus	(2)	0
Increase (decrease) in reserve for loyalty award credits	9	14
Increase (decrease) in reserve for reimbursement of deposits	2	10
Increase (decrease) in other reserves	(6)	(2)
Interest income recognized on Statements of Income	(46,258)	(52,819)
Interest expenses recognized on Statements of Income	2,034	1,992
Losses (gains) on securities	(53)	—
Losses (gains) on sales of fixed assets	31	52

Net decrease (increase) in loans and bills discounted	(165,840)	(160,874)
Net increase (decrease) in deposits	105,386	403,564
Net increase (decrease) in borrowed money	49,800	40,000
Net increase (decrease) in deposits paid (excluding cash equivalents)	—	(10,000)
Net decrease (increase) in call loans and others	(20,000)	(25,000)
Net decrease (increase) in foreign exchange position(assets)	(5,287)	(6,539)
Net decrease (increase) in foreign exchange position(liabilities)	(72)	(37)
Net decrease (increase) in monetary claims bought	(137,652)	(158,082)
Interest income (cash basis)	46,269	52,750
Interest expenses (cash basis)	(2,958)	(2,232)
Others	(17,591)	17,371
Subtotal	(170,261)	126,875
Income taxes paid	(2,383)	(2,787)
Net cash provided by (used in) operating activities	(172,644)	124,087
Cash flows from investing activities:		
Purchase of securities	(102,933)	(108,125)
Proceeds from sales of securities	31,172	—
Proceeds from redemption of securities	123,477	104,589
Purchase of tangible fixed assets	(615)	(787)
Proceeds from sales of tangible fixed assets	—	—
Purchase of intangible fixed assets	(2,667)	(2,252)
Proceeds from sales of intangible fixed assets	—	—
Net cash provided by (used in) investment activities	48,433	(6,576)
Cash flows from financing activities:		
Net cash provided by (used in) financing activities	—	—
Net increase (decrease) in cash and cash equivalents	(124,211)	117,510
Cash and cash equivalents at the beginning of period	464,508	340,296
Cash and cash equivalents at the end of period	340,296	457,807

## 5. Non-consolidated Financial Statements

(1) Non-consolidated Balance Sheets

(Unit: JPY million)

	As of March, 31, 2017	As of March, 31, 2018
<b>Assets</b>		
Cash and due from banks	340,295	467,780
Due from banks	340,295	467,780
Call loans	20,000	45,000
Monetary claims bought	606,992	765,278
Marketable securities	325,143	328,656
Short-term bonds	211,867	211,370
Corporate bonds	89,893	104,019
Equity securities	491	491
Other securities	22,891	12,774
Loans and bills discounted	640,966	801,841
Term loans	286,582	434,084
Overdraft facilities	354,384	367,756
Foreign exchange	8,414	14,953
Due to foreign banks	8,414	14,953
Other assets	40,591	37,068
Domestic exchange settlement accounts, debit	5,877	8,778
Prepaid expenses	532	602
Accrued income	3,710	4,095
Initial margins of futures markets	113	137
Derivatives other than for trading	4,010	5,311
Cash collateral paid for financial instruments	4,245	5,339
Other assets	22,100	12,803
Property, plant and equipment	2,050	2,050
Building	456	402
Other property, plant and equipment	1,594	1,647
Intangible assets	6,329	6,537
Software	5,357	5,453
Software-in-progress	971	1,084
Other intangible assets	0	0
Deferred tax assets	2,579	1,991
Customer liabilities for acceptances and guarantees	551	570
Allowance for doubtful accounts	(782)	(1,343)
<b>Total assets</b>	<b>1,993,134</b>	<b>2,470,385</b>

(Unit: JPY million)

	As of March, 31, 2017	As of March, 31, 2018
<b>Liabilities</b>		
Deposits	1,723,537	2,127,741
Ordinary deposits	1,178,417	1,448,231
Term deposits	486,401	611,824
Other deposits	58,717	67,686
Borrowed money	149,750	189,750
Borrowings from other banks	149,750	189,750
Foreign exchanges	194	156
Foreign bills payable	194	156
Bonds payable	4,000	4,000
Other liabilities	21,386	37,866
Domestic exchanges settlement account, credit	2,218	3,819
Income taxes payable	1,818	5,681
Accrued expenses	5,038	5,127
Unearned income	415	415
Valuation margins of future markets	5,565	7,797
Derivatives other than for trading	1,982	2,492
Cash collateral received for financial instruments	80	619
Asset retirement obligations	182	182
Other liabilities	4,084	11,730
Reserve for bonus	331	336
Reserve for reimbursement of deposits	8	19
Reserve for loyalty award credits	182	196
Contingency loss provision	2	—
Financial instruments transaction liability reserve	2	—
Acceptances and guarantees	551	570
<b>Total liabilities</b>	<b>1,899,944</b>	<b>2,360,639</b>
<b>Net assets</b>		
Common stock	25,954	25,954
Capital surplus	2,468	2,468
Capital surplus reserve	2,468	2,468
Retained earnings	64,842	81,126
Voluntary reserves	64,842	81,126
Retained earnings brought forward	64,842	81,126
<b>Total shareholder equity</b>	<b>93,265</b>	<b>109,548</b>
Valuation difference on available-for-sale securities	(41)	71

Deferred gains (losses) on hedges	(34)	125
Total valuation and translation adjustments	(75)	197
Total net assets	93,189	109,746
Total liabilities and net assets	1,993,134	2,470,385

## (2) Non-consolidated Statements of Income

(Unit: JPY million)

	For the fiscal year ended March, 31, 2017	For the fiscal year ended March, 31, 2018
Ordinary income	69,886	79,142
Interest income	46,169	52,778
Interest on loans and discounts	38,558	42,796
Interest and dividends on securities	610	621
Call loan interest	0	8
Interest on receivables under securities borrowing transactions	0	—
Interest on due from banks	227	234
Other interest received	6,772	9,118
Fees and commissions	20,767	22,378
Commission received on exchange transactions	5,485	5,952
Other fees and commissions income	15,281	16,426
Other ordinary income	2,484	3,400
Profit on foreign exchange	2,452	2,528
Gains on sales of bonds	31	—
Derivatives other than for trading revenue	—	865
Other ordinary income	—	6
Other income	465	583
Gain on bad debts recovered	2	3
Other income	462	580
Ordinary expenses	51,139	55,716
Interest expenses	2,035	1,993
Interest on deposits	1,944	1,823
Call money interest	(9)	(14)
Interest on borrowings	46	0
Bond interest	37	36
Interest on interest swaps	16	147
Other interest expense	0	(0)
Fees and commissions expense	27,038	29,717
Exchange fees paid	3,034	3,412
Other fees and commissions expense	24,003	26,305
Other operating expense	145	—
Expenses on derivatives other than for trading	145	—
General and administrative expenses	21,388	23,195
Other expenses	531	809

Provision on loss for doubtful accounts	410	686
Written-off of loans	63	44
Other expenses	58	78
Ordinary profit	18,747	23,425
Extraordinary profit	6	2
Transfer from reserve for financial products transaction liabilities	6	2
Extraordinary losses	38	106
Loss on disposal of property and equipment	28	52
Impairment loss	4	—
Other extraordinary loss	5	54
Net Income before taxes	18,715	23,321
Provision for Income and other taxes	2,356	6,556
Adjustment to income and other taxes	3,055	482
Total income and other taxes	5,412	7,038
Current net income	13,303	16,283

## 6. Other Financial Information

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

(Unit: JPY million)

	As of March, 31, 2017	As of March, 31, 2018
Claims in bankruptcy and reorganization, and similar claims	274	32
Doubtful claims	521	1,251
Substandard claims	100	0
Normal claims	651,205	818,384
Total	652,101	819,668

(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, 2017	As of March, 31, 2018
Capital adequacy ratio	11.15%	11.03%
Total capital	93,604	109,475
Total required capital	33,550	39,674

(Note) Disclosed based on Financial Service Agency Public Notice No. 7 (2014).

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

(Unit: JPY million)

	As of March, 31, 2017	As of March, 31, 2018
Capital adequacy ratio	10.83%	10.74%
Total capital	93,409	109,093
Total required capital	34,485	40,610

(Note) Disclosed based on Financial Service Agency Public Notice No. 7 (2014).

(4) Valuation Difference on Securities with Market Value (Consolidated)

○ Valuation Difference

(Unit: JPY million)

	As of March, 31, 2017				As of March, 31, 2018			
	Market value	Valuation difference		Market value	Valuation difference		Loss	
		Profit	Loss		Profit	Loss		
Other marketable securities	139,699	(248)	91	(339)	134,718	(6)	162	(169)
Equity	—	—	—	—	—	—	—	—
Bonds	106,891	(82)	68	(150)	120,518	100	157	(56)

	Other	32,807	(165)	22	(188)	14,199	(107)	4	(112)
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(Note) 1. Valuation Difference and unrealized Profit and Loss as of the end of each fiscal period 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, 2017				As of March, 31, 2018			
	Book value	Unrealized profit and loss		Book value	Unrealized profit and loss			
		Profit	Loss		Profit	Loss		
Bonds held to maturity	12,500	508	508	—	12,500	430	430	—

(5) Derivative Transactions (Consolidated)

① Interest Rate-related

Transactions

(Unit: JPY million)

Category	Type	As of March, 31, 2017			As of March, 31, 2018		
		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	114,660	8	8	130,932	4	4
	Interest rate options	—	—	—	—	—	—
	Other	—	—	—	—	—	—
	Total			8			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 based on Net Present Value and the Option Price Calculation Model.

3. Interest swaps include interest swaption transactions which are difficult to differentiate for our bank.

4. Derivative transactions which hedge accounting are applied are not included in the above.

## ② Foreign Currency-related Transactions

(Unit: JPY million)

Category	Type	As of March, 31, 2017			As of March, 31, 2018		
		Contract value	Market value	Valuation profit/loss	Contract value	Market value	Valuation profit/loss
Exchange	Currency futures	—	—	—	—	—	—
	Currency options	—	—	—	—	—	—
OTC	Currency swap	—	—	—	—	—	—
	FX forwards	398,951	1,515	1,515	600,939	1,978	1,978
	Currency options	158	—	—	35	—	—
	Other	—	—	—	—	—	—
	Total			1,515			1,978

(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 based on forward exchange rates.

Option transactions are calculated based on Net Present Value and the Option Price Calculation Model.

3. Derivative transactions which hedge accounting are applied are not included in the above.

## ③ Equity-related Transactions

No relevant transactions

## ④ Debt-related Transactions

(Unit: JPY million)

Category	Type	As of March, 31, 2017			As of March, 31, 2018		
		Contract value	Market value	Valuation profit/loss	Contract value	Market value	Valuation profit/loss
Exchange	Bond futures	500	1	1	500	0	0
	Bond futures options	—	—	—	—	—	—
OTC	Bond OTC options	—	—	—	—	—	—
	Other	—	—	—	—	—	—
	Total			1			0

(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 (Non-consolidated)

(Unit: %)

	Fiscal 2016	Fiscal 2017
Investment yield	2.57	2.43
Fundraising cost	1.29	1.13
Overall investment spread	1.28	1.30
Overall investment spread	0.11	0.08
Overall interest spread	2.46	2.35

## (7) Deposit Conditions (Non-consolidated)

(Unit: JPY million)

	As of March, 31, 2017	As of March, 31, 2018
Ordinary deposits	1,178,417	1,448,231
Term deposits	486,401	611,824
Other deposits	58,717	67,686
Total	1,723,537	2,127,741

## (8) Term Deposit Balance per Remaining Period to Maturity (Non-consolidated)

(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, 2017	423,200	30,640	8,116	24,443	486,401
As of March, 31, 2018	567,133	31,996	4,971	7,722	611,824

## (9) General and Administrative Expense Conditions (Non-consolidated)

(Unit: JPY million)

	Fiscal 2016	Fiscal 2017
Employment costs	5,779	5,862
Non-employment costs	14,277	15,910
incl. depreciation costs	2,474	2,497
Tax	1,331	1,422
Total	21,388	23,195

(Note)

From Fiscal 2017, personnel costs include contributions for seconded employees which were previously included in non-personnel costs. Contributions for seconded employees were JPY 605 MM as of Fiscal 2016 and JPY 847 MM as of Fiscal 2017. Personnel costs based

on the previous method were JPY 5,174 MM as of Fiscal 2016 and JPY 5,015 MM as of Fiscal 2017. Non-personnel costs based on the previous method were JPY 14,882 MM as of Fiscal 2016 and JPY 16,757 MM as of Fiscal 2017.

(10) Officers and Employee Conditions (Non-consolidated)

	Fiscal 2016	Fiscal 2017
Officers	9	9
Directors	6	6
Auditors	3	3
Employees	584	634
Total	593	643

(Note)

Employees include regular, 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.