

Rakuten Bank, Ltd.

Annual Financial Report (Consolidated) for Fiscal 2018

Table of Contents

1. Consolidated Results for the Fiscal Year Ended March, 31, 2019	1
(April, 1, 2018 to March, 31, 2019)	
2. Dividends Distribution	2
3. Forecasts for the Fiscal Year Ending March, 31, 2020	2
4. Consolidated Financial Statements	4
4(1) Consolidated Balance Sheet	4
4(2) Consolidated Statements of Income	5
4(3) Consolidated Statements of Cash Flows	6
5. Non-consolidated Financial Statements	8
5(1) Non-consolidated Balance Sheet	8
5(2) Non-consolidated Statements of Income	11
6. Other Financial Information	13

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, 2019 (April, 1, 2018 to March, 31, 2019)

(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, 2019	87,720	10.0	27,329	15.5	19,039	15.8
March 31, 2018	79,720	12.9	23,660	23.9	16,433	21.4

(Note) Comprehensive income: Fiscal 2018 JPY19,170MM (14.7%) Fiscal 2017 JPY16,707MM (25.6%)

	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, 2019	8,103.51	—	15.8	1.0	31.1
March 31, 2018	6,994.57	—	16.1	1.1	29.6

(Reference) Equity in Income from Investments in Affiliates: Fiscal 2018 - Fiscal 2017 -

(2) Consolidated Financial Position

	Total Assets	Total Net Assets	Own capital ratio	Total Net Assets per share
	JPY million	JPY million	%	JPY
March 31, 2019	2,997,205	129,538	4.3	55,134.71
March 31, 2018	2,353,510	110,367	4.6	46,975.20

(Reference) Own capital: Fiscal 2018 JPY 129,538MM Fiscal 2017 JPY 110,367MM

(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, 2019	320,541	17,127	(4,000)	791,476
March 31, 2018	124,087	(6,576)	—	457,807

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, 31,2020 (April, 1, 2019- March, 31,2020)

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

※ Special notes

(1) Changes in significant subsidiaries during this period: Yes

Newly included: 5(companies) Super Trust 16, LLC, Super Trust 17, LLC, Super Trust 18, LLC, Super Trust 19, LLC, Super Trust20, LLC

Excluded: —

(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, 2019	2,349,484 shares	March, 31, 2018	2,349,484 shares
② Treasury stocks	March, 31, 2019	— shares	March, 31, 2018	— shares
③ Average outstanding stocks	March, 31, 2019	2,349,484 shares	March, 31, 2018	2,349,484 shares

(Reference) Summary of non-consolidated financial data

1. Non-consolidated Results for the Fiscal Year Ended March, 31, 2019 (April, 1, 2018 to March, 31, 2019)

(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, 2019	86,967	9.8	26,913	14.8	18,764	15.2
March, 31, 2018	79,142	13.2	23,425	24.9	16,283	22.3

	Net Income per share	Diluted Net Income per share
	JPY	JPY
March, 31, 2019	7,986.49	—
March, 31, 2018	6,930.51	—

(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, 2019	3,193,129	128,641	4.0	54,752.98
March, 31, 2018	2,470,385	109,746	4.4	46,710.68

(Reference) Own capital: Fiscal 2018 JPY 128,641 MM Fiscal 2017 JPY 109,746 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).

This report is out of the scope of the external auditor's audit procedures.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Unit: JPY million)

	As of March, 31, 2018	As of March, 31, 2019
Assets		
Cash and due from banks	467,807	791,476
Call loans	45,000	18,000
Monetary claims bought	844,278	1,043,414
Marketable securities	133,295	113,352
Loans and bills discounted	801,841	952,178
Foreign exchange	14,953	11,240
Other assets	36,289	56,297
Property, plant and equipment	2,073	1,979
Building	416	378
Other property, plant and equipment	1,656	1,601
Intangible assets	6,777	7,814
Software	5,454	6,171
Software-in-progress	1,084	1,438
Goodwill	238	203
Other intangible assets	0	0
Deferred tax assets	2,017	2,125
Customer liabilities for acceptances and guarantees	570	994
Allowance for doubtful accounts	(1,393)	(1,668)
Total assets	2,353,510	2,997,205
Liabilities		
Deposits	2,010,131	2,611,219
Borrowed money	189,750	189,750
Foreign exchange	156	192
Bonds payable	4,000	—
Other liabilities	37,966	64,747
Reserve for bonus	347	374
Reserve for directors' bonus	3	3
Net defined benefit liability	—	121
Reserve for reimbursement of deposits	19	71
Reserve for loyalty award credits	196	191
Acceptances and guarantees	570	994
Total liabilities	2,243,143	2,867,666

Net assets

Common stock	25,954	25,954
Capital surplus	2,468	2,468
Retained earnings	81,747	100,786
Total Shareholder Equity	110,169	129,208
Valuation difference on available-for-sale securities	71	504
Deferred gains (losses) on hedges	125	(175)
Accumulated remeasurements of defined benefit plans	—	0
Total valuation and translation adjustments	197	329
Total net assets	110,367	129,538
Total liabilities and net assets	2,353,510	2,997,205

(2) Consolidated Statements of Income

(Unit: JPY million)

	For the fiscal year ended March, 31, 2018	For the fiscal year ended March, 31, 2019
Ordinary income	79,720	87,720
Interest income	52,819	57,019
Interest on loans and discounts	42,796	44,934
Interest and dividends on securities	260	213
Call loan interest	8	3
Interest on receivables under securities borrowing transactions	—	0
Interest on due from banks	234	219
Other interest received	9,520	11,648
Fees and commissions	22,386	25,339
Other operating income	3,400	3,869
Other income	584	858
Gain on bad debts recovered	3	3
Other income	581	855
Trust fee	529	633
Ordinary expenses	56,060	60,390
Interest expenses	1,992	2,410
Interest on deposits	1,822	2,230
Call money interest	(14)	(10)
Interest on payables under securities lending transactions	—	0
Interest on borrowings	0	0
Bond interest	36	19
Other interest expense	147	169

Fees and commissions expense	29,723	31,378
Other operating expense	—	21
General and administrative expenses	23,484	25,881
Other expenses	860	698
Provision on loss for doubtful accounts	736	444
Other expenses	123	254
Ordinary profit	23,660	27,329
Extraordinary profit	2	—
Transfer from reserve for financial products transaction liabilities	2	—
Extraordinary losses	106	17
Loss on disposal of property and equipment	52	17
Other extraordinary loss	54	—
Net Income before taxes	23,556	27,311
Provision for Income and other taxes	6,660	8,438
Adjustment to income and other taxes	462	(165)
Total income and other taxes	7,122	8,272
Current net income	16,433	19,039
Net income attributable to owners of parent	16,433	19,039

(3) Consolidated Statements of Cash Flows

(Unit: JPY million)

	For the fiscal year ended March, 31, 2018	For the fiscal year ended March, 31, 2019
Cash flows from operating activities:		
Income before income taxes and others	23,556	27,311
Depreciation	2,494	2,573
Amortization of goodwill	35	35
Increase (decrease) in allowance for doubtful accounts	611	274
Increase (decrease) in reserve for bonuses	6	27
Increase (decrease) in reserve for officer's bonus	0	—
Increase (decrease) in net defined benefit liabilities	—	122
Increase (decrease) in reserve for loyalty award credits	14	(5)
Increase (decrease) in reserve for reimbursement of deposits	10	52
Increase (decrease) in other reserves	(2)	—
Interest income recognized on Statements of Income	(52,819)	(57,019)
Interest expenses recognized on Statements of Income	1,992	2,410
Losses (gains) on securities	—	(75)
Losses (gains) on sales of fixed assets	52	17

Net decrease (increase) in loans and bills discounted	(160,874)	(150,337)
Net increase (decrease) in deposits	403,564	601,087
Net increase (decrease) in borrowed money	40,000	—
Net increase (decrease) in deposits paid (excluding cash equivalents)	(10,000)	10,000
Net decrease (increase) in call loans and others	(25,000)	27,000
Net decrease (increase) in foreign exchange position(assets)	(6,539)	3,713
Net decrease (increase) in foreign exchange position(liabilities)	(37)	35
Net decrease (increase) in monetary claims bought	(158,082)	(199,136)
Interest income (cash basis)	52,750	56,789
Interest expenses (cash basis)	(2,232)	(2,504)
Others	17,371	6,969
Subtotal	126,875	329,342
Income taxes paid	(2,787)	(8,801)
Net cash provided by (used in) operating activities	124,087	320,541
Cash flows from investing activities:		
Purchase of securities	(108,125)	(83,550)
Proceeds from sales of securities	—	20,146
Proceeds from redemption of securities	104,589	83,972
Purchase of tangible fixed assets	(787)	(307)
Purchase of intangible fixed assets	(2,252)	(3,133)
Net cash provided by (used in) investment activities	(6,576)	17,127
Cash flows from financing activities:		
Redemption of subordinated bonds	—	(4,000)
Net cash provided by (used in) financing activities	—	(4,000)
Net increase (decrease) in cash and cash equivalents	117,510	333,668
Cash and cash equivalents at the beginning of period	340,296	457,807
Cash and cash equivalents at the end of period	457,807	791,476

5. Non-consolidated Financial Statements

(1) Non-consolidated Balance Sheets

(Unit: JPY million)

	As of March, 31, 2018	As of March, 31, 2019
Assets		
Cash and due from banks	467,780	791,447
Due from banks	467,780	791,447
Call loans	45,000	18,000
Monetary claims bought	765,278	978,453
Marketable securities	328,656	373,648
Short-term bonds	211,370	275,305
Corporate bonds	104,019	85,106
Equity securities	491	491
Other securities	12,774	12,745
Loans and bills discounted	801,841	952,178
Term loans	434,084	582,867
Overdraft facilities	367,756	369,311
Foreign exchange	14,953	11,240
Due to foreign banks	14,953	11,240
Other assets	37,068	57,086
Domestic exchange settlement accounts, debit	8,778	23,023
Prepaid expenses	602	746
Accrued income	4,095	4,523
Initial margins of futures markets	137	516
Derivatives other than for trading	5,311	2,879
Cash collateral paid for financial instruments	5,339	7,342
Other assets	12,803	18,054
Property, plant and equipment	2,050	1,957
Building	402	365
Other property, plant and equipment	1,647	1,592
Intangible assets	6,537	7,610
Software	5,453	6,171
Software-in-progress	1,084	1,438
Other intangible assets	0	0
Deferred tax assets	1,991	2,078
Customer liabilities for acceptances and guarantees	570	994
Allowance for doubtful accounts	(1,343)	(1,567)
Total assets	2,470,385	3,193,129

(Unit: JPY million)

	As of March, 31, 2018	As of March, 31, 2019
Liabilities		
Deposits	2,127,741	2,808,279
Ordinary deposits	1,448,231	2,030,135
Term deposits	611,824	705,540
Other deposits	67,686	72,602
Borrowed money	189,750	189,750
Borrowings from other banks	189,750	189,750
Foreign exchanges	156	192
Foreign bills payable	156	192
Bonds payable	4,000	—
Other liabilities	37,866	64,523
Domestic exchanges settlement account, credit	3,819	13,182
Income taxes payable	5,681	5,275
Accrued expenses	5,127	5,462
Unearned income	415	554
Valuation margins of future markets	7,797	7,880
Derivatives other than for trading	2,492	1,890
Cash collateral received for financial instruments	619	341
Asset retirement obligations	182	183
Other liabilities	11,730	29,752
Reserve for bonus	336	363
Reserve for retirement benefits		121
Reserve for reimbursement of deposits	19	71
Reserve for loyalty award credits	196	191
Acceptances and guarantees	570	994
Total liabilities	2,360,639	3,064,487
Net assets		
Common stock	25,954	25,954
Capital surplus	2,468	2,468
Capital surplus reserve	2,468	2,468
Retained earnings	81,126	99,890
Voluntary reserves	81,126	99,890
Retained earnings brought forward	81,126	99,890
Total shareholder equity	109,548	128,312
Valuation difference on available-for-sale securities	71	504
Deferred gains (losses) on hedges	125	(175)

Total valuation and translation adjustments	197	328
Total net assets	109,746	128,641
Total liabilities and net assets	2,470,385	3,193,129

(2) Non-consolidated Statements of Income

(Unit: JPY million)

	For the fiscal year ended March, 31, 2018	For the fiscal year ended March, 31, 2019
Ordinary income	79,142	86,967
Interest income	52,778	56,908
Interest on loans and discounts	42,796	44,934
Interest and dividends on securities	621	652
Call loan interest	8	3
Interest on receivables under securities borrowing transactions	—	0
Interest on due from banks	234	219
Other interest received	9,118	11,098
Fees and commissions	22,378	25,331
Commission received on exchange transactions	5,952	6,489
Other fees and commissions income	16,426	18,842
Other ordinary income	3,400	3,869
Profit on foreign exchange	2,528	3,257
Gains on sales of bonds	—	83
Derivatives other than for trading revenue	865	522
Other ordinary income	6	6
Other income	583	858
Gain on bad debts recovered	3	3
Other income	580	855
Ordinary expenses	55,716	60,053
Interest expenses	1,993	2,411
Interest on deposits	1,823	2,232
Call money interest	(14)	(10)
Interest on payables under securities lending transactions	—	0
Interest on borrowings	0	0
Bond interest	36	19
Interest on interest swaps	147	167
Other interest expense	(0)	1
Fees and commissions expense	29,717	31,371
Exchange fees paid	3,412	3,872
Other fees and commissions expense	26,305	27,499
Other operating expense	—	21
Loss on sales of bonds	—	7
Other operating expense	—	14

General and administrative expenses	23,195	25,599
Other expenses	809	648
Provision on loss for doubtful accounts	686	394
Written-off of loans	44	59
Other expenses	78	195
Ordinary profit	23,425	26,913
Extraordinary profit	2	—
Transfer from reserve for financial products transaction	2	—
liabilities		
Extraordinary losses	106	17
Loss on disposal of property and equipment	52	17
Other extraordinary loss	54	—
Net Income before taxes	23,321	26,896
Provision for Income and other taxes	6,556	8,277
Adjustment to income and other taxes	482	(145)
Total income and other taxes	7,038	8,131
Current net income	16,283	18,764

6. Other Financial Information

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

(Unit: JPY million)

	As of March, 31, 2018	As of March, 31, 2019
Claims in bankruptcy and reorganization, and similar claims	32	15
Doubtful claims	1,251	1,328
Substandard claims	0	0
Normal claims	818,384	965,380
Total	819,668	966,725

(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, 2018	As of March, 31, 2019
Capital adequacy ratio	11.03%	11.00%
Total capital	109,475	124,615
Total required capital	39,674	45,299

(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, 2018	As of March, 31, 2019
Capital adequacy ratio	10.74%	10.66%
Total capital	109,093	123,922
Total required capital	40,610	46,471

(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, 2018				As of March, 31, 2019			
	Market value	Valuation difference		Market value	Valuation difference		Loss	
		Profit	Loss		Profit	Loss		
Other marketable securities	134,718	(6)	162	(169)	137,056	697	728	(30)
Equity	—	—	—	—	—	—	—	—
Bonds	120,518	100	157	(56)	100,605	722	723	(1)

	Other	14,199	(107)	4	(112)	36,451	(24)	4	(28)
--	-------	--------	-------	---	-------	--------	------	---	------

(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, 2018				As of March, 31, 2019			
	Book value	Unrealized profit and loss		Book value	Unrealized profit and loss			
		Profit	Loss		Profit	Loss		
Bonds held to maturity	12,500	430	430	—	12,500	372	372	—

(5) Derivative Transactions (Consolidated)

① Interest Rate-related

Transactions

(Unit: JPY million)

Category	Type	As of March, 31, 2018			As of March, 31, 2019		
		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	130,932	4	4	162,188	(0)	(0)
	Interest rate options	—	—	—	—	—	—
	Other	—	—	—	—	—	—
	Total			4			(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 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, 2018			As of March, 31, 2019		
		Contract value	Market value	Valuation profit/loss	Contract value	Market value	Valuation profit/loss
Exchange	Currency futures	—	—	—	—	—	—
	Currency options	—	—	—	—	—	—
OTC	Currency swap	—	—	—	—	—	—
	FX forwards	600,939	1,978	1,978	519,202	1,034	1,034
	Currency options	35	—	—	77	—	—
	Other	—	—	—	—	—	—
	Total			1,978			1,034

(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, 2018			As of March, 31, 2019		
		Contract value	Market value	Valuation profit/loss	Contract value	Market value	Valuation profit/loss
Exchange	Bond futures	500	0	0	—	—	—
	Bond futures options	—	—	—	—	—	—
OTC	Bond OTC options	—	—	—	—	—	—
	Other	—	—	—	—	—	—
	Total			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 2017	Fiscal 2018
Investment yield	2.43	2.20
Fundraising cost	1.13	1.05
Overall investment spread	1.30	1.15
Overall investment spread	0.08	0.09
Overall interest spread	2.35	2.11

(7) Deposit Conditions (Non-consolidated)

(Unit: JPY million)

	As of March, 31, 2018	As of March, 31, 2019
Ordinary deposits	1,448,231	2,030,135
Term deposits	611,824	705,540
Other deposits	67,686	72,602
Total	2,127,741	2,808,279

(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, 2018	567,133	31,996	4,971	7,722	611,824
As of March, 31, 2019	665,236	29,973	3,323	7,006	705,540

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

(Unit: JPY million)

	Fiscal 2017	Fiscal 2018
Employment costs	5,862	6,282
Non-employment costs	15,910	17,868
incl. depreciation costs	2,497	2,578
Tax	1,422	1,448
Total	23,195	25,599

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

	Fiscal 2017	Fiscal 2018
Officers	9	8
Directors	6	5
Auditors	3	3
Employees	634	702
Total	643	710

(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.