

# Rakuten Bank, Ltd.

## Annual Financial Report (Consolidated) for Fiscal 2019

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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, 2020 (April, 1, 2019 to March, 31, 2020)**

## (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, 2020	95,513	8.8	27,275	(0.1)	18,960	(0.4)
March 31, 2019	87,720	10.0	27,329	15.5	19,039	15.8

(Note) Comprehensive income: Fiscal 2019 JPY18,144MM (-5.4%) Fiscal 2018 JPY19,170MM (14.7%)

	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, 2020	8,069.88	—	13.6	0.7	28.5
March 31, 2019	8,103.51	—	15.8	1.0	31.1

(Reference) Equity in Income from Investments in Affiliates: Fiscal 2019 - Fiscal 2018 -

## (2) Consolidated Financial Position

	Total Assets	Total Net Assets	Own capital ratio	Total Net Assets per share
	JPY million	JPY million	%	JPY
March 31, 2020	3,851,733	147,682	3.8	62,857.47
March 31, 2019	2,997,205	129,538	4.3	55,134.71

(Reference) Own capital: Fiscal 2019 JPY 147,682MM Fiscal 2018 JPY 129,538MM

(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, 2020	357,648	(42,080)	—	1,107,044
March 31, 2019	320,541	17,127	(4,000)	791,476

## 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, 31,2021 (April, 1, 2020- March, 31,2021)

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, 2020	2,349,484 shares	March, 31, 2019	2,349,484 shares
② Treasury stocks	March, 31, 2020	— shares	March, 31, 2019	— shares
③ Average outstanding stocks	March, 31, 2020	2,349,484 shares	March, 31, 2019	2,349,484 shares

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

## 1. Non-consolidated Results for the Fiscal Year Ended March, 31, 2020 (April, 1, 2019 to March, 31, 2020)

## (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, 2020	94,704	8.8	26,755	(0.5)	18,613	(0.8)
March, 31, 2019	86,967	9.8	26,913	14.8	18,764	15.2

	Net Income per share	Diluted Net Income per share
	JPY	JPY
March, 31, 2020	7,922.28	—
March, 31, 2019	7,986.49	—

## (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, 2020	4,021,107	146,493	3.6	62,351.41
March, 31, 2019	3,193,129	128,641	4.0	54,752.98

(Reference) Own capital: Fiscal 2019 JPY 146,493 MM Fiscal 2018 JPY 128,641 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, 2019	As of March, 31, 2020
<b>Assets</b>		
Cash and due from banks	791,476	1,117,044
Call loans	18,000	—
Monetary claims bought	1,043,414	1,289,340
Marketable securities	113,352	150,808
Loans and bills discounted	952,178	1,115,493
Foreign exchange	11,240	6,094
Other assets	56,297	153,872
Property, plant and equipment	1,979	1,748
Building	378	248
Other property, plant and equipment	1,601	1,499
Intangible assets	7,814	9,434
Software	6,171	5,867
Software-in-progress	1,438	3,398
Goodwill	203	168
Other intangible assets	0	0
Deferred tax assets	2,125	2,331
Customer liabilities for acceptances and guarantees	994	6,558
Allowance for doubtful accounts	(1,668)	(992)
Total assets	2,997,205	3,851,733
<b>Liabilities</b>		
Deposits	2,611,219	3,404,868
Borrowed money	189,750	214,200
Foreign exchange	192	341
Other liabilities	64,747	77,002
Reserve for bonus	374	415
Reserve for directors' bonus	3	3
Net defined benefit liability	121	428
Reserve for reimbursement of deposits	71	22
Reserve for loyalty award credits	191	209
Acceptances and guarantees	994	6,558
Total liabilities	2,867,666	3,704,050
<b>Net assets</b>		

Common stock	25,954	25,954
Capital surplus	2,468	2,468
Retained earnings	100,786	119,746
Total Shareholder Equity	129,208	148,168
Valuation difference on available-for-sale securities	504	123
Deferred gains (losses) on hedges	(175)	(555)
Accumulated remeasurements of defined benefit plans	0	(54)
Total valuation and translation adjustments	329	(486)
Total net assets	129,538	147,682
Total liabilities and net assets	2,997,205	3,851,733

## (2) Consolidated Statements of Income

(Unit: JPY million)

	For the fiscal year ended March, 31, 2019	For the fiscal year ended March, 31, 2020
Ordinary income	87,720	95,513
Interest income	57,019	60,071
Interest on loans and discounts	44,934	46,445
Interest and dividends on securities	213	120
Call loan interest	3	6
Interest on receivables under securities borrowing transactions	0	0
Interest on due from banks	219	198
Other interest received	11,648	13,300
Fees and commissions	25,339	29,544
Other operating income	3,869	4,253
Other income	858	917
Gain on reversal of allowance for doubtful accounts	—	277
Gain on bad debts recovered	3	5
Other income	855	634
Trust fee	633	726
Ordinary expenses	60,390	68,238
Interest expenses	2,410	2,907
Interest on deposits	2,230	2,770
Call money interest	(10)	(2)
Interest on payables under securities lending transactions	0	—
Interest on borrowings	0	0
Bond interest	19	—
Other interest expense	169	138

Fees and commissions expense	31,378	33,594
Other operating expense	21	—
General and administrative expenses	25,881	31,513
Other expenses	698	221
Provision on loss for doubtful accounts	444	—
Other expenses	254	221
Ordinary profit	27,329	27,275
Extraordinary profit	—	—
Extraordinary losses	17	7
Loss on disposal of property and equipment	17	7
Net Income before taxes	27,311	27,267
Provision for Income and other taxes	8,438	8,178
Adjustment to income and other taxes	(165)	129
Total income and other taxes	8,272	8,307
Current net income	19,039	18,960
Net income attributable to owners of parent	19,039	18,960

## (3) Consolidated Statements of Cash Flows

(Unit: JPY million)

	For the fiscal year ended March, 31, 2019	For the fiscal year ended March, 31, 2020
Cash flows from operating activities:		
Income before income taxes and others	27,311	27,267
Depreciation	2,573	2,660
Amortization of goodwill	35	35
Increase (decrease) in allowance for doubtful accounts	274	(676)
Increase (decrease) in reserve for bonuses	27	41
Increase (decrease) in net defined benefit liabilities	122	252
Increase (decrease) in reserve for loyalty award credits	(5)	18
Increase (decrease) in reserve for reimbursement of deposits	52	(48)
Interest income recognized on Statements of Income	(57,019)	(60,071)
Interest expenses recognized on Statements of Income	2,410	2,907
Losses (gains) on securities	(75)	(259)
Losses (gains) on sales of fixed assets	17	7
Net decrease (increase) in loans and bills discounted	(150,337)	(163,314)
Net increase (decrease) in deposits	601,087	793,649
Net increase (decrease) in borrowed money	—	24,450

Net increase (decrease) in deposits paid (excluding cash equivalents)	10,000	(10,000)
Net decrease (increase) in call loans and others	27,000	18,000
Net decrease (increase) in foreign exchange position(assets)	3,713	5,145
Net decrease (increase) in foreign exchange position(liabilities)	35	149
Net decrease (increase) in monetary claims bought	(199,136)	(245,925)
Net decrease (increase) in security deposits and intangibles	(980)	(82,480)
Interest income (cash basis)	56,789	60,080
Interest expenses (cash basis)	(2,504)	(2,900)
Others	7,950	(378)
Subtotal	329,342	368,608
Income taxes paid	(8,801)	(10,960)
Net cash provided by (used in) operating activities	320,541	357,648
Cash flows from investing activities:		
Purchase of securities	(83,550)	(283,846)
Proceeds from sales of securities	20,146	38,995
Proceeds from redemption of securities	83,972	206,970
Purchase of tangible fixed assets	(307)	(484)
Proceeds from sales of tangible fixed assets	—	164
Purchase of intangible fixed assets	(3,133)	(3,880)
Net cash provided by (used in) investment activities	17,127	(42,080)
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	333,668	315,568
Cash and cash equivalents at the beginning of period	457,807	791,476
Cash and cash equivalents at the end of period	791,476	1,107,044

## 5. Non-consolidated Financial Statements

(1) Non-consolidated Balance Sheets

(Unit: JPY million)

	As of March, 31, 2019	As of March, 31, 2020
<b>Assets</b>		
Cash and due from banks	791,447	1,116,334
Due from banks	791,447	1,116,334
Call loans	18,000	—
Monetary claims bought	978,453	1,198,381
Marketable securities	373,648	411,146
Short-term bonds	275,305	270,847
Corporate bonds	85,106	127,081
Equity securities	491	491
Other securities	12,745	12,725
Loans and bills discounted	952,178	1,115,493
Term loans	582,867	748,585
Overdraft facilities	369,311	366,907
Foreign exchange	11,240	6,094
Due to foreign banks	11,240	6,094
Other assets	57,086	154,787
Domestic exchange settlement accounts, debit	23,023	14,601
Prepaid expenses	746	1,164
Accrued income	4,523	5,183
Initial margins of futures markets	516	432
Derivatives other than for trading	2,879	5,348
Cash collateral paid for financial instruments	7,342	10,780
Other assets	18,054	117,277
Property, plant and equipment	1,957	1,737
Building	365	242
Other property, plant and equipment	1,592	1,494
Intangible assets	7,610	9,266
Software	6,171	5,867
Software-in-progress	1,438	3,398
Other intangible assets	0	0
Deferred tax assets	2,078	2,301
Customer liabilities for acceptances and guarantees	994	6,558
Allowance for doubtful accounts	(1,567)	(992)
<b>Total assets</b>	<b>3,193,129</b>	<b>4,021,107</b>

(Unit: JPY million)

	As of March, 31, 2019	As of March, 31, 2020
<b>Liabilities</b>		
Deposits	2,808,279	3,575,634
Ordinary deposits	2,030,135	3,004,372
Term deposits	705,540	490,912
Other deposits	72,602	80,349
Borrowed money	189,750	214,200
Borrowings from other banks	189,750	214,200
Foreign exchanges	192	341
Foreign bills payable	192	341
Other liabilities	64,523	76,871
Domestic exchanges settlement account, credit	13,182	9,760
Income taxes payable	5,275	603
Accrued expenses	5,462	5,931
Unearned income	554	540
Valuation margins of future markets	7,880	10,131
Derivatives other than for trading	1,890	7,437
Cash collateral received for financial instruments	341	331
Asset retirement obligations	183	184
Other liabilities	29,752	41,952
Reserve for bonus	363	404
Reserve for retirement benefits	121	372
Reserve for reimbursement of deposits	71	22
Reserve for loyalty award credits	191	209
Acceptances and guarantees	994	6,558
<b>Total liabilities</b>	<b>3,064,487</b>	<b>3,874,614</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	99,890	118,503
Voluntary reserves	99,890	118,503
Retained earnings brought forward	99,890	118,503
<b>Total shareholder equity</b>	<b>128,312</b>	<b>146,925</b>
Valuation difference on available-for-sale securities	504	123
Deferred gains (losses) on hedges	(175)	(555)

Total valuation and translation adjustments	328	(432)
Total net assets	128,641	146,493
Total liabilities and net assets	3,193,129	4,021,107

## (2) Non-consolidated Statements of Income

(Unit: JPY million)

	For the fiscal year ended March, 31, 2019	For the fiscal year ended March, 31, 2020
Ordinary income	86,967	94,704
Interest income	56,908	60,049
Interest on loans and discounts	44,934	46,445
Interest and dividends on securities	652	528
Call loan interest	3	6
Interest on receivables under securities borrowing transactions	0	0
Interest on due from banks	219	198
Other interest received	11,098	12,870
Fees and commissions	25,331	29,534
Commission received on exchange transactions	6,489	7,418
Other fees and commissions income	18,842	22,116
Other ordinary income	3,869	4,253
Profit on foreign exchange	3,257	3,717
Gains on sales of bonds	83	259
Derivatives other than for trading revenue	522	276
Other ordinary income	6	—
Other income	858	866
Gain on reversal of allowance for doubtful accounts	—	226
Gain on bad debts recovered	3	5
Other income	855	634
Ordinary expenses	60,053	67,948
Interest expenses	2,411	2,909
Interest on deposits	2,232	2,772
Call money interest	(10)	(2)
Interest on payables under securities lending transactions	0	—
Interest on borrowings	0	0
Bond interest	19	—
Interest on interest swaps	167	138
Other interest expense	1	0
Fees and commissions expense	31,371	33,587
Exchange fees paid	3,872	4,598
Other fees and commissions expense	27,499	28,988
Other operating expense	21	—
Loss on sales of bonds	7	—

Other operating expense	14	—
General and administrative expenses	25,599	31,230
Other expenses	648	221
Provision on loss for doubtful accounts	394	—
Written-off of loans	59	65
Other expenses	195	156
Ordinary profit	26,913	26,755
Extraordinary profit	—	—
Extraordinary losses	17	7
Loss on disposal of property and equipment	17	7
Net Income before taxes	26,896	26,747
Provision for Income and other taxes	8,277	8,021
Adjustment to income and other taxes	(145)	112
Total income and other taxes	8,131	8,134
Current net income	18,764	18,613

## 6. Other Financial Information

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

(Unit: JPY million)

	As of March, 31, 2019	As of March, 31, 2020
Claims in bankruptcy and reorganization, and similar claims	15	14
Doubtful claims	1,328	1,083
Substandard claims	—	—
Normal claims	965,380	1,129,260
Total	966,725	1,130,359

(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, 2019	As of March, 31, 2020
Capital adequacy ratio	11.00%	10.60%
Total capital	124,615	142,018
Total required capital	45,299	53,562

(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, 2019	As of March, 31, 2020
Capital adequacy ratio	10.66%	10.32%
Total capital	123,922	140,943
Total required capital	46,471	54,580

(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, 2019				As of March, 31, 2020			
	Market value	Valuation difference		Market value	Valuation difference		Profit	Loss
		Profit	Loss		Profit	Loss		
Other marketable securities	137,056	697	728	(30)	183,922	(604)	293	(897)
Equity	—	—	—	—	—	—	—	—
Bonds	100,605	722	723	(1)	138,080	165	280	(114)

	Other	36,451	(24)	4	(28)	45,842	(769)	12	(782)
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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, 2019				As of March, 31, 2020			
	Book value	Unrealized profit and loss		Book value	Unrealized profit and loss			
		Profit	Loss		Profit	Loss		
Bonds held to maturity	12,500	372	372	—	12,500	165	165	—

(5) Derivative Transactions (Consolidated)

① Interest Rate-related

Transactions

(Unit: JPY million)

Category	Type	As of March, 31, 2019			As of March, 31, 2020		
		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	162,188	(0)	(0)	137,932	(3)	(3)
	Interest rate options	—	—	—	—	—	—
	Other	—	—	—	—	—	—
	Total			(0)			(3)

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

2. Market Value Calculation

Calculated 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, 2019			As of March, 31, 2020		
		Contract value	Market value	Valuation profit/loss	Contract value	Market value	Valuation profit/loss
Exchange	Currency futures	—	—	—	—	—	—
	Currency options	—	—	—	—	—	—
OTC	Currency swap	—	—	—	—	—	—
	FX forwards	519,202	1,034	1,034	1,222,256	(1,708)	(1,708)
	Currency options	77	—	—	110	—	—
	Other	—	—	—	—	—	—
	Total			1,034			(1,708)

(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

No relevant transactions

## ⑤ Product-related Transactions

No relevant transactions

## ⑥ Credit Derivative Transactions

No relevant transactions

## (6) Margin Conditions (Non-consolidated)

(Unit: %)

	Fiscal 2018	Fiscal 2019
Investment yield	2.20	1.95
Fundraising cost	1.05	1.00
Overall investment spread	1.15	0.95

Overall investment spread	0.09	0.08
Overall interest spread	2.11	1.87

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

(Unit: JPY million)

	As of March, 31, 2019	As of March, 31, 2020
Ordinary deposits	2,030,135	3,004,372
Term deposits	705,540	490,912
Other deposits	72,602	80,349
Total	2,808,279	3,575,634

## (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, 2019	665,236	29,973	3,323	7,006	705,540
As of March, 31, 2020	464,094	16,357	2,966	7,493	490,912

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

(Unit: JPY million)

	Fiscal 2018	Fiscal 2019
Employment costs	6,282	6,433
Non-employment costs	17,868	23,105
incl. depreciation costs	2,578	2,667
Tax	1,448	1,690
Total	25,599	31,230

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

	Fiscal 2018	Fiscal 2019
Officers	8	8
Directors	5	5
Auditors	3	3
Employees	702	717
Total	710	725

(Note)

Employees include regular, non-regular or contract employees, and employees seconded to Rakuten Bank, Ltd. while employees from Rakuten Bank, Ltd. seconded to other companies have been excluded.