

Rakuten Bank, Ltd.

Annual Financial Report (Consolidated) for Fiscal 2020

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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, 2021 (April, 1, 2020 to March, 31, 2021)

(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, 2021	103,386	8.2	27,581	1.1	19,337	1.9
March 31, 2020	95,513	8.8	27,275	(0.1)	18,960	(0.4)

(Note) Comprehensive income: Fiscal 2020 JPY21,269MM (17.2%) Fiscal 2019 JPY18,144MM (-5.4%)

	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, 2021	8,230.48	—	11.9	0.5	26.6
March 31, 2020	8,069.88	—	13.6	0.7	28.5

(Reference) Equity in Income from Investments in Affiliates: Fiscal 2020 - Fiscal 2019 -

(2) Consolidated Financial Position

	Total Assets	Total Net Assets	Own capital ratio	Total Net Assets per share
	JPY million	JPY million	%	JPY
March 31, 2021	6,486,841	186,790	2.5	71,493.91
March 31, 2020	3,851,733	147,682	3.8	62,857.47

(Reference) Own capital: Fiscal 2020 JPY 167,973MM Fiscal 2019 JPY 147,682MM

(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, 2021	1,501,494	37,548	—	2,682,969
March 31, 2020	357,648	(42,080)	—	1,107,044

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, 31,2022 (April, 1, 2021- March, 31,2022)

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: 1 (company) RAKUTEN INTERNATIONAL COMMERCIAL BANK CO., LTD.

Excluded: N/A

(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, 2021	2,349,484 shares	March, 31, 2020	2,349,484 shares
② Treasury stocks	March, 31, 2021	— shares	March, 31, 2020	— shares
③ Average outstanding stocks	March, 31, 2021	2,349,484 shares	March, 31, 2020	2,349,484 shares

(Reference) Summary of non-consolidated financial data

1. Non-consolidated Results for the Fiscal Year Ended March, 31, 2021 (April, 1, 2020 to March, 31, 2021)

(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, 2021	102,442	8.1	27,870	4.1	19,466	4.5
March, 31, 2020	94,704	8.8	26,755	(0.5)	18,613	(0.8)

	Net Income per share	Diluted Net Income per share
	JPY	JPY
March, 31, 2021	8,285.47	—
March, 31, 2020	7,922.28	—

(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, 2021	6,684,682	165,494	2.4	70,438.53
March, 31, 2020	4,021,107	146,493	3.6	62,351.41

(Reference) Own capital: Fiscal 2020 JPY 165,494 MM Fiscal 2019 JPY 146,493 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, 2020	As of March, 31, 2021
Assets		
Cash and due from banks	1,117,044	2,682,972
Receivables under securities borrowing transactions	—	76,397
Monetary claims bought	1,289,340	1,529,040
Marketable securities	150,808	107,504
Loans and bills discounted	1,115,493	1,895,656
Foreign exchange	6,094	7,513
Other assets	153,872	160,020
Tangible fixed assets	1,748	3,278
Buildings	248	250
Other tangible fixed assets	1,499	3,028
Intangible fixed assets	9,434	14,095
Software	5,867	11,261
Software-in-progress	3,398	2,700
Goodwill	168	132
Other intangible fixed assets	0	0
Deferred tax assets	2,331	3,300
Customer liabilities for acceptances and guarantees	6,558	8,521
Allowance for doubtful accounts	(992)	(1,460)
Total assets	3,851,733	6,486,841
Liabilities		
Deposits	3,404,868	5,545,947
Borrowed money	214,200	663,200
Foreign exchange	341	945
Other liabilities	77,002	79,828
Reserve for employee bonuses	415	532
Reserve for executive bonuses	3	3
Net defined benefit liability	428	806
Reserve for reimbursement of deposits	22	27
Reserve for point program	209	237
Acceptances and guarantees	6,558	8,521
Total liabilities	3,704,050	6,300,050
Net assets		

Common stock	25,954	25,954
Capital surplus	2,468	2,468
Retained earnings	119,746	138,982
Total Shareholder Equity	148,168	167,405
Valuation difference on available-for-sale securities	123	(271)
Deferred gains (losses) on hedges	(555)	(626)
Foreign currency translation adjustments	—	1,508
Accumulated remeasurements of defined benefit plans	(54)	(42)
Total accumulated other comprehensive income	(486)	568
Non-controlling interests	—	18,817
Total net assets	147,682	186,790
Total liabilities and net assets	3,851,733	6,486,841

(2) Consolidated Statements of Income

(Unit: JPY million)

	For the fiscal year ended March, 31, 2020	For the fiscal year ended March, 31, 2021
Ordinary income	95,513	103,386
Interest income	60,071	59,498
Interest on loans and discounts	46,445	45,371
Interest and dividends on securities	120	88
Call loan interest	6	2
Interest on receivables under securities borrowing transactions	0	16
Interest on due from banks	198	(139)
Other interest received	13,300	14,158
Fees and commissions	29,544	38,368
Other operating income	4,253	4,212
Other income	917	483
Gain on reversal of allowance for doubtful accounts	277	—
Gain on bad debts recovered	5	7
Other income	634	476
Trust fees	726	823
Ordinary expenses	68,238	75,804
Interest expenses	2,907	3,551
Interest on deposits	2,770	3,408
Interest on call money	(2)	—
Interest on borrowings	0	—
Other interest expense	138	143

Fees and commissions expense	33,594	35,526
Other operating expense	—	7
General and administrative expenses	31,513	35,810
Other expenses	221	908
Provision on loss for doubtful accounts	—	649
Other expenses	221	259
Ordinary profit	27,275	27,581
Extraordinary profit	—	90
Reversal of asset retirement obligations	—	90
Extraordinary losses	7	462
Loss on disposal of fixed assets	7	73
Head office relocation expenses	—	19
Other extraordinary losses	—	369
Net Income before taxes	27,267	27,210
Income taxes-current	8,178	9,047
Income taxes-deferred	129	(703)
Total income and other taxes	8,307	8,344
Current net income	18,960	18,866
Net income attributable to non-controlling interests	—	(471)
Net income attributable to owners of parent	18,960	19,337

(3) Consolidated Statements of Cash Flows

(Unit: JPY million)

	For the fiscal year ended March, 31, 2020	For the fiscal year ended March, 31, 2021
Cash flows from operating activities:		
Income before income taxes and others	27,267	27,210
Depreciation	2,660	3,300
Amortization of goodwill	35	35
Increase (decrease) in allowance for doubtful accounts	(676)	468
Increase (decrease) in reserve for bonuses	41	74
Increase (decrease) in net defined benefit liabilities	252	370
Increase (decrease) in reserve for loyalty award credits	18	28
Increase (decrease) in reserve for reimbursement of deposits	(48)	4
Interest income recognized on statements of income	(60,071)	(59,498)
Interest expenses recognized on statements of income	2,907	3,551
Losses (gains) on securities	(259)	(296)
Losses (gains) on sales of fixed assets	7	73

Net decrease (increase) in loans and bills discounted	(163,314)	(780,161)
Net increase (decrease) in deposits	793,649	2,140,895
Net increase (decrease) in borrowed money	24,450	449,000
Net increase (decrease) in deposits paid (excluding cash equivalents)	(10,000)	10,000
Net decrease (increase) in call loans and others	18,000	—
Net decrease (increase) in receivables under securities borrowing transactions	—	(74,635)
Net decrease (increase) in foreign exchange position(assets)	5,145	(1,418)
Net decrease (increase) in foreign exchange position(liabilities)	149	603
Net decrease (increase) in monetary claims bought	(245,925)	(239,806)
Net decrease (increase) in security deposits and intangibles	(82,480)	(15,264)
Interest income (cash basis)	60,080	59,805
Interest expenses (cash basis)	(2,900)	(3,528)
Others	(378)	(10,225)
Subtotal	368,608	1,510,586
Income taxes paid	(10,960)	(9,092)
Net cash provided by (used in) operating activities	357,648	1,501,494
Cash flows from investing activities:		
Purchase of securities	(283,846)	(189,668)
Proceeds from sales of securities	38,995	50,361
Proceeds from redemption of securities	206,970	182,297
Purchase of tangible fixed assets	(484)	(1,491)
Proceeds from sales of tangible fixed assets	164	—
Purchase of intangible fixed assets	(3,880)	(3,943)
Others	—	(6)
Net cash provided by (used in) investment activities	(42,080)	37,548
Cash flows from financing activities:		
Net cash provided by (used in) financing activities	—	—
Effect of exchange rate change on cash and cash equivalents	—	926
Net increase (decrease) in cash and cash equivalents	315,568	1,539,970
Cash and cash equivalents at the beginning of period	791,476	1,107,044
Net increase (decrease) in cash and cash equivalents due to new consolidation	—	35,955
Cash and cash equivalents at the end of period	1,107,044	2,682,969

5. Non-consolidated Financial Statements

(1) Non-consolidated Balance Sheets

(Unit: JPY million)

	As of March, 31, 2020	As of March, 31, 2021
Assets		
Cash and due from banks	1,116,334	2,681,359
Due from banks	1,116,334	2,681,359
Receivables under securities borrowing transactions	—	42,971
Monetary claims bought	1,198,381	1,490,069
Marketable securities	411,146	384,610
Short-term bonds	270,847	259,730
Corporate bonds	127,081	100,096
Equity securities	491	491
Other securities	12,725	24,292
Loans and bills discounted	1,115,493	1,895,615
Term loans	748,585	1,560,865
Overdraft facilities	366,907	334,750
Foreign exchange	6,094	7,513
Due to foreign banks	6,094	7,513
Other assets	154,787	160,846
Domestic exchange settlement accounts, debit	14,601	21,116
Prepaid expenses	1,164	1,835
Accrued income	5,183	5,766
Initial margins of futures markets	432	434
Derivatives other than for trading	5,348	8,584
Cash collateral paid for financial instruments	10,780	11,129
Other assets	117,277	111,978
Tangible fixed assets	1,737	1,596
Buildings	242	206
Other tangible fixed assets	1,494	1,390
Intangible fixed assets	9,266	10,091
Software	5,867	7,390
Software-in-progress	3,398	2,700
Other intangible fixed assets	0	0
Deferred tax assets	2,301	2,946
Customer liabilities for acceptances and guarantees	6,558	8,521
Allowance for doubtful accounts	(992)	(1,459)
Total assets	4,021,107	6,684,682

(Unit: JPY million)

	As of March, 31, 2020	As of March, 31, 2021
Liabilities		
Deposits	3,575,634	5,765,538
Ordinary deposits	3,004,372	5,223,110
Term deposits	490,912	445,208
Other deposits	80,349	97,220
Borrowed money	214,200	663,200
Borrowings from other banks	214,200	663,200
Foreign exchanges	341	945
Foreign bills payable	341	945
Other liabilities	76,871	79,518
Domestic exchanges settlement account, credit	9,760	12,115
Income taxes payable	603	570
Accrued expenses	5,931	6,378
Unearned income	540	705
Valuation margins of future markets	10,131	13,088
Derivatives other than for trading	7,437	3,312
Cash collateral received for financial instruments	331	381
Asset retirement obligations	184	—
Other liabilities	41,952	42,966
Reserve for employee bonuses	404	457
Reserve for retirement benefits	372	741
Reserve for reimbursement of deposits	22	27
Reserve for point program	209	237
Acceptances and guarantees	6,558	8,521
Total liabilities	3,874,614	6,519,188
Net assets		
Common stock	25,954	25,954
Capital surplus	2,468	2,468
Capital surplus reserve	2,468	2,468
Retained earnings	118,503	137,970
Voluntary reserves	118,503	137,970
Retained earnings brought forward	118,503	137,970
Total shareholder equity	146,925	166,392
Valuation difference on available-for-sale securities	123	(271)
Deferred gains (losses) on hedges	(555)	(626)

Total valuation and translation adjustments	(432)	(898)
Total net assets	146,493	165,494
Total liabilities and net assets	4,021,107	6,684,682

(2) Non-consolidated Statements of Income

(Unit: JPY million)

	For the fiscal year ended March, 31, 2020	For the fiscal year ended March, 31, 2021
Ordinary income	94,704	102,442
Interest income	60,049	59,377
Interest on loans and discounts	46,445	45,371
Interest and dividends on securities	528	602
Call loan interest	6	2
Interest on receivables under securities borrowing transactions	0	1
Interest on due from banks	198	(218)
Other interest received	12,870	13,616
Fees and commissions	29,534	38,350
Commission received on exchange transactions	7,418	8,707
Other fees and commissions income	22,116	29,642
Other ordinary income	4,253	4,222
Profit on foreign exchange	3,717	3,601
Gains on sales of bonds	259	296
Derivatives other than for trading revenue	276	318
Other ordinary income	—	7
Other income	866	492
Gain on reversal of allowance for doubtful accounts	226	—
Gain on bad debts recovered	5	7
Other income	634	484
Ordinary expenses	67,948	74,571
Interest expenses	2,909	3,552
Interest on deposits	2,772	3,409
Call money interest	(2)	—
Interest on borrowings	0	—
Interest on interest rate swaps	138	129
Other interest expense	0	13
Fees and commissions expense	33,587	35,519
Exchange fees paid	4,598	5,440
Other fees and commissions expense	28,988	30,078
Other operating expense	—	—
General and administrative expenses	31,230	34,591
Other expenses	221	908
Provision on loss for doubtful accounts	—	649

Written-off of loans	65	14
Other expenses	156	244
Ordinary profit	26,755	27,870
Extraordinary profit	—	90
Reversal of asset retirement obligations	—	90
Extraordinary losses	7	81
Loss on disposal of fixed assets	7	65
Head office relocation expenses	—	16
Net Income before taxes	26,747	27,880
Provision for Income and other taxes	8,021	8,852
Adjustment to income and other taxes	112	(438)
Total income and other taxes	8,134	8,413
Current net income	18,613	19,466

6. Other Financial Information

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

(Unit: JPY million)

	As of March, 31, 2020	As of March, 31, 2021
Claims in bankruptcy and reorganization, and similar claims	14	14
Doubtful claims	1,083	1,496
Substandard claims	—	22
Normal claims	1,129,260	1,912,182
Total	1,130,359	1,913,715

(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, 2020	As of March, 31, 2021
Capital adequacy ratio	10.60%	11.66%
Total capital	142,018	172,624
Total required capital	53,562	59,179

(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, 2020	As of March, 31, 2021
Capital adequacy ratio	10.32%	10.50%
Total capital	140,943	159,810
Total required capital	54,580	60,847

(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, 2020				As of March, 31, 2021			
	Market value	Valuation difference		Market value	Valuation difference			
		Profit	Loss		Profit	Loss		
Other marketable securities	183,922	(604)	293	(897)	235,651	(406)	47	(453)
Equity	—	—	—	—	—	—	—	—
Bonds	138,080	165	280	(114)	100,096	(298)	27	(325)

	Other	45,842	(769)	12	(782)	135,555	(107)	20	(128)
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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, 2020				As of March, 31, 2021			
	Book value	Unrealized profit and loss		Book value	Unrealized profit and loss			
		Profit	Loss		Profit	Loss		
Bonds held to maturity	12,500	165	165	—	6,200	43	43	—

(5) Derivative Transactions (Consolidated)

① Interest Rate-related

Transactions

(Unit: JPY million)

Category	Type	As of March, 31, 2020			As of March, 31, 2021		
		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	137,932	(3)	(3)	107,444	12	12
	Interest rate options	—	—	—	—	—	—
	Other	—	—	—	—	—	—
	Total			(3)			12

(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, 2020			As of March, 31, 2021		
		Contract value	Market value	Valuation profit/loss	Contract value	Market value	Valuation profit/loss
Exchange	Currency futures	—	—	—	—	—	—
	Currency options	—	—	—	—	—	—
OTC	Currency swap	—	—	—	—	—	—
	FX forwards	1,222,256	(1,708)	(1,708)	1,066,764	5,973	5,973
	Currency options	110	—	—	314	—	—
	Other	—	—	—	—	—	—
	Total			(1,708)			5,973

(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 2019	Fiscal 2020
Investment yield	1.95	1.39
Fundraising cost	1.00	0.76
Overall investment spread	0.95	0.63

Overall investment spread	0.08	0.07
Overall interest spread	1.87	1.32

(7) Deposit Conditions (Non-consolidated)

(Unit: JPY million)

	As of March, 31, 2020	As of March, 31, 2021
Ordinary deposits	3,004,372	5,223,110
Term deposits	490,912	445,208
Other deposits	80,349	97,220
Total	3,575,634	5,765,538

(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, 2020	464,094	16,357	2,966	7,493	490,912
As of March, 31, 2021	426,310	7,301	5,475	6,122	445,208

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

(Unit: JPY million)

	Fiscal 2019	Fiscal 2020
Employment costs	6,433	6,356
Non-employment costs	23,105	26,496
incl. depreciation costs	2,667	3,131
Tax	1,690	1,739
Total	31,230	34,591

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

	Fiscal 2019	Fiscal 2020
Officers	8	8
Directors	5	5
Auditors	3	3
Employees	717	779
Total	725	787

(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.