

Financial Report

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Note: 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 document has been translated from a part of the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

Consolidated Financial Statements

Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023		As of March 31, 2022	As of March 31, 2023
Assets			Liabilities		
Cash and due from banks	3,649,136	4,050,227	Deposits	7,584,374	8,985,693
Call loans	10,817	7,370	Call money	—	12,028
Cash collateral provided for securities borrowed	377,100	559,174	Cash collateral received for securities lent	—	3,895
Monetary claims bought	1,680,535	2,103,059	Borrowed money	1,612,000	2,277,400
Securities	578,005	780,373	Foreign exchanges	3,381	3,019
Loans and bills discounted	2,943,891	3,780,587	Other liabilities	72,740	64,313
Foreign exchanges	8,642	9,904	Provision for bonuses	563	630
Other assets	209,183	260,223	Provision for bonuses for directors (and other officers)	5	5
Tangible fixed assets	3,153	3,715	Retirement benefit liability	1,163	1,292
Buildings, net	233	415	Provision for reimbursement of deposits	3	11
Other tangible fixed assets	2,920	3,299	Acceptances and guarantees	9,962	9,533
Intangible fixed assets	16,261	19,266	Total liabilities	9,284,194	11,357,824
Software	12,424	14,792	Net assets		
Software in progress	3,739	4,411	Share capital	25,954	25,954
Goodwill	97	61	Capital surplus	2,468	3,880
Other intangible fixed assets	0	0	Retained earnings	159,022	186,714
Deferred tax assets	5,222	8,228	Total shareholders' equity	187,445	216,549
Customers' liabilities for acceptances and guarantees	9,962	9,533	Valuation difference on available-for-sale securities	(3,596)	(7,364)
Allowance for loan losses	(1,226)	(2,156)	Deferred gains or losses on hedges	9	(12)
Total assets	9,490,689	11,589,508	Foreign currency translation adjustment	3,269	3,821
			Remeasurements of defined benefit plans	(47)	38
			Total accumulated other comprehensive income	(363)	(3,517)
			Non-controlling interests	19,413	18,651
			Total net assets	206,494	231,684
			Total liabilities and net assets	9,490,689	11,589,508

Consolidated Statements of Income

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Ordinary income	106,026	120,445
Interest income	59,810	69,010
Interest on loans and discounts	44,901	48,077
Interest and dividends on securities	283	1,894
Interest on call loans	13	81
Interest income on cash collateral provided for securities borrowed	79	271
Interest on deposits with banks	(259)	388
Other interest income	14,791	18,297
Fees and commissions	40,368	41,151
Other operating income	4,179	8,430
Other ordinary income	706	614
Recoveries of written off receivables	15	11
Other	690	602
Trust fees	961	1,239
Ordinary expenses	78,117	81,699
Interest expenses	5,067	6,632
Interest on deposits	4,813	5,729
Interest on call money	—	45
Other interest expenses	254	857
Fees and commissions payments	34,830	33,278
Other ordinary expenses	133	3
General and administrative expenses	37,620	39,201
Other expenses	464	2,583
Provision of allowance for loan losses	122	1,197
Other	341	1,386
Ordinary profit	27,909	38,746
Extraordinary losses	1	0
Loss on disposal of non-current assets	1	0
Profit before income taxes	27,907	38,746
Income taxes - current	9,593	13,696
Income taxes - deferred	(773)	(1,411)
Total income taxes	8,819	12,284
Profit	19,087	26,461
Loss attributable to non-controlling interests	(952)	(1,230)
Profit attributable to owners of parent	20,039	27,692

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Profit	19,087	26,461
Other comprehensive income		
Valuation difference on available-for-sale securities	(3,536)	(3,851)
Deferred gains or losses on hedges	636	(22)
Foreign currency translation adjustment	3,521	1,102
Remeasurements of defined benefit plans, net of tax	(4)	85
Total other comprehensive income	616	(2,684)
Comprehensive income	19,704	23,776
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	19,107	24,538
Comprehensive income attributable to non-controlling interests	596	(761)

Consolidated Statements of Change in Net Assets

Fiscal year ended March 31, 2022

(Millions of yen)

	Shareholders' equity				Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Share capital	Capital surplus	Retained earnings	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	25,954	2,468	138,982	167,405	(271)	(626)	1,508	(42)	568	18,817	186,790
Changes during period											
Increase by corporate division				—							—
Profit attributable to owners of parent			20,039	20,039							20,039
Net changes in items other than shareholders' equity					(3,324)	636	1,760	(4)	(932)	596	(335)
Total changes during period	—	—	20,039	20,039	(3,324)	636	1,760	(4)	(932)	596	19,704
Balance at end of period	25,954	2,468	159,022	187,445	(3,596)	9	3,269	(47)	(363)	19,413	206,494

Fiscal year ended March 31, 2023

(Millions of yen)

	Shareholders' equity				Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Share capital	Capital surplus	Retained earnings	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	25,954	2,468	159,022	187,445	(3,596)	9	3,269	(47)	(363)	19,413	206,494
Changes during period											
Increase by corporate division		1,412		1,412							1,412
Profit attributable to owners of parent			27,692	27,692							27,692
Net changes in items other than shareholders' equity					(3,768)	(22)	551	85	(3,153)	(761)	(3,915)
Total changes during period	—	1,412	27,692	29,104	(3,768)	(22)	551	85	(3,153)	(761)	25,189
Balance at end of period	25,954	3,880	186,714	216,549	(7,364)	(12)	3,821	38	(3,517)	18,651	231,684

Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from operating activities		
Profit before income taxes	27,907	38,746
Depreciation	3,914	4,503
Amortization of goodwill	35	35
Increase (decrease) in allowance for loan losses	(234)	931
Increase (decrease) in provision for bonuses	25	65
Increase (decrease) in provision for bonuses for directors (and other officers)	1	—
Increase (decrease) in retirement benefit liability	350	253
Increase (decrease) in provision for point card certificates	(237)	—
Increase (decrease) in provision for reimbursement of deposits	(24)	8
Interest income	(59,810)	(69,010)
Interest expenses	5,067	6,632
Loss (gain) related to securities	(187)	(33)
Loss (gain) on disposal of non-current assets	1	0
Net decrease (increase) in loans and bills discounted	(1,048,163)	(836,833)
Net increase (decrease) in deposits	2,036,095	1,401,026
Net increase (decrease) in cash collateral received for securities lent	—	3,962
Net increase (decrease) in borrowed money (excluding subordinated borrowings)	948,800	665,400
Net decrease (increase) in call loans	(10,261)	3,804
Net decrease (increase) in cash collateral provided for securities borrowed	(298,371)	(181,765)
Net increase (decrease) in call money	—	12,237
Net decrease (increase) in foreign exchanges - assets	(1,129)	(1,261)
Net increase (decrease) in foreign exchanges - liabilities	2,435	(361)
Net decrease (increase) in monetary claims bought	(154,558)	(449,037)
Net increase in deposit for central counterparty and others	(20,525)	(54,980)
Interest received	60,571	69,500
Interest paid	(5,180)	(6,353)
Other, net	(15,105)	(123)
Subtotal	1,471,416	607,346
Income taxes paid	(9,471)	(12,650)
Net cash provided by (used in) operating activities	1,461,945	594,695
Cash flows from investing activities		
Purchase of securities	(968,270)	(592,225)
Proceeds from sale of securities	343,557	190,367
Proceeds from redemption of securities	134,172	216,190
Purchase of tangible fixed assets	(770)	(1,413)
Purchase of intangible fixed assets	(4,669)	(6,396)
Other, net	—	(100)
Net cash provided by (used in) investing activities	(495,980)	(193,578)
Cash flows from financing activities		
Net cash provided by (used in) financing activities	—	—
Effect of exchange rate change on cash and cash equivalents	199	(25)
Net increase (decrease) in cash and cash equivalents	966,163	401,091
Cash and cash equivalents at beginning of period	2,682,969	3,649,133
Cash and cash equivalents at end of period	3,649,133	4,050,224

[Notes]

(Significant matters serving as the basis for the preparation of consolidated financial statements)

1. Matters concerning the scope of consolidation
 - (1) Consolidated subsidiaries, etc.: 23 companies
Company names:
Rakuten Trust Co., Ltd.
Rakuten International Commercial Bank Co., Ltd.
General Incorporated Association Super Trust Holdings
Super Trust 1, LLC
Super Trust 2, LLC
Super Trust 3, LLC
Super Trust 4, LLC
Super Trust 5, LLC
Super Trust 6, LLC
Super Trust 7, LLC
Super Trust 8, LLC
Super Trust 9, LLC
Super Trust 10, LLC
Super Trust 11, LLC
Super Trust 12, LLC
Super Trust 13, LLC
Super Trust 14, LLC
Super Trust 15, LLC
Super Trust 16, LLC
Super Trust 17, LLC
Super Trust 18, LLC
Super Trust 19, LLC
Super Trust 20, LLC
 - (2) Non-consolidated subsidiaries, etc.: 4 companies
Company names:
Rakuten Bank Domain Service, Ltd.
Trans Value Domain Service, Ltd.
Higashi Matsushima "Kizuna" Photovoltaic Power Plant (Joint management designated money trust with actual dividends)
Higashi Matsushima "Kizuna" Photovoltaic Power Plant Business Trust (Individually operated designated money trust)
The non-consolidated subsidiaries, etc. have been excluded from the scope of consolidation, in view of their relative immateriality to the extent that such exclusion should not preclude reasonable judgment on the financial position and operating results of the Group, in consideration of assets, ordinary income, net profit or loss (corresponding to equity interest), retained earnings (corresponding to equity interest) and accumulated other comprehensive income (corresponding to equity interest), etc.
2. Matters concerning the application of the equity method
 - (1) Non-consolidated subsidiaries, etc. accounted for under the equity method
Not applicable.
 - (2) Affiliates, etc. accounted for under the equity method
Not applicable.
 - (3) Non-consolidated subsidiaries, etc. not accounted for under the equity method: 4 companies
Company names:
Rakuten Bank Domain Service, Ltd.
Trans Value Domain Service, Ltd.
Higashi Matsushima "Kizuna" Photovoltaic Power Plant (Joint management designated money trust with actual dividends)
Higashi Matsushima "Kizuna" Photovoltaic Power Plant Business Trust (Individually operated designated money trust)
The non-consolidated subsidiaries, etc. not accounted for under the equity method have been excluded from using the equity method, in view of their relative immateriality to the extent that such exclusion should not have significant impact on the consolidated financial statements, based on net profit or loss (corresponding to equity interest), retained earnings (corresponding to equity interest) and accumulated other comprehensive income (corresponding to equity interest), etc.
 - (4) Affiliates, etc. not accounted for under the equity method
Not applicable.
3. Matters concerning the fiscal year of consolidated subsidiaries, etc.
 - (1) The closing date and the consolidated closing date of consolidated subsidiaries, etc. are as follows.
December 31: 1 company
March 31: 22 companies
 - (2) Consolidated subsidiaries, etc. whose closing date is December 31 are consolidated based on the provisional financial statements prepared for consolidation as of March 31.
Other consolidated subsidiaries, etc. are consolidated based on the financial statements as of their closing dates.
Necessary adjustments are made for significant transactions that occur between the consolidated closing date and the above closing dates, etc.
4. Matters concerning accounting policies
 - (1) Valuation standards and methods for securities
Valuation of securities is as follows: Held-to-maturity debt securities are stated at amortized cost using the moving average method (straight-line method), while shares in non-consolidated subsidiaries, etc. not accounted for under the equity method are stated at cost using the moving average method. Other securities are stated at fair value (cost of sales is primarily calculated by the moving average method), but shares, etc. with no market price are stated at cost by the moving average method.
Valuation difference on available-for-sale securities is fully accounted for as a component of net assets.
 - (2) Valuation standards and methods for derivative transactions
Derivative transactions are stated at fair value.
 - (3) Depreciation methods for fixed assets
 - (i) Tangible fixed assets (excluding leased assets)
Tangible fixed assets of the Bank are depreciated using the straight-line method.
Moreover, useful lives for tangible fixed assets are mainly as follows.
Buildings: 3 to 18 years
Others: 2 to 20 years
Tangible fixed assets of consolidated subsidiaries, etc. are depreciated using the straight-line method based on the estimated useful lives of assets.

- (ii) Intangible fixed assets (excluding leased assets)
Intangible fixed assets are amortized using the straight-line method. Software for internal use is amortized over its estimated usable period (mainly five years) as determined by the Bank and its consolidated subsidiaries, etc.
- (4) Standards for recording allowance for loan losses
The Bank records allowance for loan losses as follows, in accordance with predetermined standards for write-offs and provisions.
Concerning claims related to debtors who are legally bankrupt due to bankruptcy or special liquidation, etc. (hereinafter referred to as "bankrupt borrowers") and claims related to debtors in similar situations (hereinafter referred to as "substantially bankrupt borrowers"), the expected disposable amounts of collateral and collectable amounts by guarantee are deducted from the carrying amount after direct reduction as described in the notes below, and the remaining amount is recorded. In addition, concerning claims related to debtors who are not currently in bankruptcy but are deemed to have a high possibility of going bankrupt in the future (hereinafter referred to as "potentially bankrupt borrowers"), the expected disposable amounts of collateral and collectable amounts by guarantee are deducted from the amount of claims, and of the remaining amount, the amount deemed necessary based on a comprehensive judgment of the debtor's ability to pay is recorded.
Claims other than the above are primarily recorded based on the amount of expected loss for the next one year or the next three years, and the amount of expected loss is calculated by obtaining the loss rate based on the average value of loan losses performance rates or bankruptcy probability over a certain period in the past based on the record of loan losses or bankruptcies over a one-year or three-year period, and making necessary adjustments such as future projections. All claims are assessed by sales related divisions with a subsequent audit by the credit department, which is independent from the sales related divisions, in accordance with the Bank's policy and guidelines for the self-assessment of asset quality.
Concerning claims with collateral and guarantees for bankrupt borrowers and substantially bankrupt borrowers, the amount remaining after deducting the valuation of collateral and the amount deemed collectible by guarantees from the amount of claims is directly deducted from the amount of claims as an estimated uncollectible amount, and that amount is 145 million yen (317 million yen at the end of the previous fiscal year).
Concerning allowance for loan losses of consolidated subsidiaries, etc., for general claims, the amount deemed necessary in consideration of past loan losses performance rates, etc. is recorded, and for specific claims such as doubtful claims, recoverability is individually considered and the estimated uncollectible amount is recorded.
- (5) Standards for recording provision for bonuses
To prepare for the payment of bonuses to employees, of the estimated amount of bonuses to be paid to employees, the amount attributable to the fiscal year under review is recorded as provision for bonuses.
- (6) Standards for recording provision for bonuses for directors (and other officers)
To prepare for the payment of bonuses to directors (and other officers), of the estimated amount of bonuses to be paid to directors (and other officers), the amount attributable to the fiscal year under review is recorded as provision for bonuses for directors (and other officers).
- (7) Standards for recording provision for reimbursement of deposits
Concerning provision for reimbursement of deposits, in order to prepare for reimbursement requests from depositors for deposits for which recording of liabilities has been discontinued, an amount deemed necessary for estimating losses that may arise in response to future reimbursement requests is recorded.
- (8) Accounting method for retirement benefits
In calculating the projected benefit obligation, mainly the benefit formula basis is used to attribute the expected benefit attributable to the respective fiscal year. Unrecognized net actuarial gains (losses) are amortized on a straight-line basis, primarily over 1 year within the employees' average remaining service period, commencing from the next fiscal year of incurrence.
- (9) Standards for recording significant income and expenses
- (i) Method for recognizing revenue
Revenue from contracts with customers is recognized in the consolidated statements of income based on the satisfaction of performance obligations identified for each contract, according to the actual state of the transaction in the contract. The main component of this is fees and commissions, which can be broadly divided into foreign exchange deposit business, housing loans handling business, card settlement business, toto and lottery sales business, and other businesses.
- (ii) Revenue recognition for major transactions
For revenue from contracts with customers, the timing of satisfaction of performance obligations, which is an item that significantly impacts the determination of the timing of revenue recognition, is determined as follows, and it is a revenue recognition method that faithfully represents each economic reality.
Most transactions are settled in cash at the time of transaction, and claims recognized from other transactions are, in principle, collected within one year.
Of the foreign exchange deposit business, foreign exchange business revenue consists primarily of remittance and transfer fees and is recognized at the time of settlement. Moreover, deposit business revenue consists primarily of ATM usage fees and periodic account management service fees. ATM usage fees are recognized when transactions are executed, and periodic account management service fees are recognized over the period of service.
Revenue related to the housing loans handling business consists primarily of administrative fees related to the handling of housing loans and apartment loans for investment, and is recognized when the related services are provided.
Revenue related to card settlement business consists primarily of debit card settlement fees and other card-related business revenues. Debit card settlement fees are recognized at the time of settlement, and other card-related revenues are recognized over the period of service.
Revenue related to the toto and lottery sales business consists primarily of fees received on toto and lottery sales, which is received as consideration for toto and lottery sales and recognized primarily on the date of the transaction with the customer.
Revenue related to other businesses includes advertising placement fees received, affiliate fees received, etc., and is recognized when the related services are provided or over the period during which the related services are provided.
In addition to fees and commissions, there is revenue related to the trust business provided by consolidated subsidiaries, which is mainly fees received as consideration for providing services such as management of properties entrusted by settlors, and is recognized over the period during which the related services are provided.
- (10) Standards for conversion of foreign currency-denominated assets and liabilities into Japanese currency
Foreign currency-denominated assets and liabilities of the Bank and its consolidated subsidiaries, etc. are converted mainly based on the exchange rate on the consolidated closing date.
- (11) Significant hedge accounting methods
- (i) Hedging against interest rate risk
The Bank applies deferral hedge accounting method based on the rules of the "Accounting and Auditing Treatment of Accounting Standard for Financial Instruments in the Banking Industry" (Japanese Institute of Certified Public Accountants ("JICPA") Industry Committee Practical Guidance No. 24, March 17, 2022) for interest rate derivatives to manage interest rate risks arising from various financial assets and liabilities. Under these rules, the effectiveness of fair value hedge is assessed for each designated group consisting of hedged items (such as deposits and loans and bills discounted) and the corresponding hedging instruments (such as interest rate swaps) classified by the duration to maturity. In addition, under these rules, the effectiveness of cash flow hedges is assessed based on the correlation between a base interest rate index of the hedged cash flow and that of the hedging instrument.
- (ii) Hedging against currency fluctuations risk
The Bank applies deferral hedge accounting method based on the rules of the "Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry" (JICPA Industry Committee Practical Guidance No. 25, October 8, 2020, "Industry Committee Practical Guidance No.25") for currency swaps and foreign exchange swaps to manage currency fluctuations risk arising from financial assets and liabilities denominated in foreign currencies. Under these rules, the Bank assesses the effectiveness of currency swap and foreign exchange swap transactions executed for the purpose of offsetting the risk of changes in currency exchange rates by verifying that there are foreign-currency monetary claims and debts corresponding to the foreign-currency positions.
- (12) Goodwill amortization method and amortization period
Goodwill is amortized using the straight-line method over a period of 10 years.

(13) Consolidated tax payment system

The Bank and its domestic consolidated subsidiaries have adopted the consolidated tax payment system as consolidated subsidiaries, where Rakuten Group, Inc. is designated as the parent company.

(14) Scope of funds in the consolidated statements of cash flows

The scope of funds in the consolidated statement of cash flows refers to cash and due from banks on the consolidated balance sheets, excluding time deposits with deposit terms of more than three months and certificates of deposit.

(Significant accounting estimates)

Items for which amounts were recorded in the consolidated financial statements for the fiscal year under review based on accounting estimates, and which may have a significant impact on the consolidated financial statements for the next fiscal year are as follows.

1. Allowance for loan losses

(1) Amounts recorded in the consolidated financial statements for the fiscal year under review

	As of March 31, 2022	As of March 31, 2023
Allowance for loan losses	1,226 million yen	2,156 million yen

(2) Information that contributes to the understanding of the content of significant accounting estimates for identified items

(i) Calculation method

The calculation method for allowance for loan losses is described in "4. Matters concerning accounting policies, (4) Standards for recording allowance for loan losses."

(ii) Main assumptions

The main assumption is "future performance outlook of borrowers in determining debtor classification." "Future performance outlook of borrowers in determining debtor classification" is set based on individual evaluations of each debtor's earning capacity.

(iii) Impact on the consolidated financial statements for the next fiscal year

If the assumptions used in the initial estimates change due to changes in the performance of individual borrowers, etc., it may have a significant impact on the allowance for loan losses in the consolidated financial statements for the next fiscal year.

2. Fair value of financial instruments

(1) Amounts recorded in the consolidated financial statements for the fiscal year under review

Described in "Notes (Notes on financial instruments), 2. Matters concerning the fair value, etc. of financial instruments."

(2) Information that contributes to the understanding of the content of significant accounting estimates for identified items

(i) Calculation method

The calculation method for fair value of financial instruments is described in "Notes (Notes on financial instruments), 3. Matters concerning the breakdown, etc. of fair value of financial instruments by level, (Note 1) Description of the valuation techniques and inputs used in fair value measurements."

(ii) Main assumptions

The main assumptions are the inputs used in the mark-to-market valuation model, including directly or indirectly observable inputs in the market such as foreign exchange rates, yield curves, fair value of securities, etc., as well as inputs that are not observable in the market, including significant estimates such as correlation coefficients.

(iii) Impact on the consolidated financial statements for the next fiscal year

Fair value of financial instruments may fluctuate due to changes in inputs, which are the main assumptions, due to changes in the market environment, etc.

(Changes in accounting policies)

(Application of the Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Bank has applied the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021; hereinafter referred to as the "Fair Value Measurement Guidance") from the beginning of the fiscal year under review, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Guidance in accordance with the transitional treatment provided in Paragraph 27-2 of the Fair Value Measurement Guidance. This change has no impact on the consolidated financial statements.

Regarding the notes on investment trusts in the matters related to the breakdown of fair value of financial instruments by level in the "Notes on financial instruments," items related to the previous fiscal year are not listed in accordance with Paragraph 27-3 of the Fair Value Measurement Guidance.

(Additional information)

Application of the accounting and disclosure treatment when applying the group tax sharing system

As of the fiscal year under review, the Bank and certain domestic consolidated subsidiaries, etc. have transitioned from the consolidated tax return filing system to the group tax sharing system. In line with this, for accounting and disclosure of corporate tax, local corporate tax, and tax effect accounting, the Bank complies with the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (Practical Solution No. 42, August 12, 2021. Hereinafter referred to as "Practical Solution No. 42"). In addition, based on Paragraph 32 (1) of the Practical Solution No. 42, it is deemed that there is no impact from the change in accounting policies due to the application of Practical Solution No. 42.

(Notes on consolidated balance sheets)

*1. Total amount of shares of non-consolidated subsidiaries and affiliates

	As of March 31, 2022	As of March 31, 2023
Shares	1 million yen	1 million yen

*2. Of the securities received through cash-secured bond lending transactions, securities that have the right to be freely disposed of by way of sale or (re)pledging are as follows.

	As of March 31, 2022	As of March 31, 2023
Securities (re)pledged as collateral	313,914 million yen	517,655 million yen
Securities held without such disposal at the end of the fiscal year under review	19,364 million yen	40,301 million yen

*3. Claims based on the Banking Act and the categories of the Financial Revitalization Act are as follows. Claims are those recorded in corporate bonds (limited to those that guarantee all or part of the redemption of the principal and payment of interest, and the issuance of such corporate bonds is limited to private placement of securities (Article 2, Paragraph 3 of the Financial Instruments and Exchange Act)), loans and bills discounted, and foreign exchanges in "securities" on the consolidated balance sheets, accrued interest, suspense payments, and customers' liabilities for acceptances and guarantees in "other assets," as well as the securities noted in the notes, if such securities are lent (limited to loans for use and lease agreements).

	As of March 31, 2022	As of March 31, 2023
Bankrupt and practically bankrupt claims	— million yen	0 million yen
Doubtful claims	1,060 million yen	1,104 million yen
Loans past due over three months	266 million yen	630 million yen
Restructured loans	230 million yen	482 million yen
Total	1,558 million yen	2,218 million yen

Bankrupt and practically bankrupt claims are claims against debtors who are bankrupt due to reasons such as the commencement of bankruptcy proceedings, the commencement of reorganization proceedings, or petitions for the commencement of rehabilitation proceedings, and claims equivalent thereto.

Doubtful claims are claims that do not fall under bankrupt and practically bankrupt claims, for which the debtor has not yet reached bankruptcy, but their financial condition and business performance have deteriorated, and there is a high possibility that collection of the principal of the claims and the receipt of interest in accordance with the contract will not be possible.

Loans past due over three months are loans and bills discounted that do not fall under bankrupt and practically bankrupt claims or doubtful claims, for which payment of the principal or interest is delayed for three months or more from the day after the scheduled payment date.

Restructured loans are loans and bills discounted that do not fall under bankrupt and practically bankrupt claims, doubtful claims, or loans past due over three months, for which interest rate exemptions, interest payment deferrals, principal repayment deferrals, debt waivers, and other arrangements that are advantageous to the debtor are undertaken for the purpose of helping the debtor rebuild and support their business.

The above claim amounts are the amounts before deduction of allowance for loan losses.

*4. Assets pledged as collateral are as follows.

	As of March 31, 2022	As of March 31, 2023
Assets pledged as collateral		
Monetary claims bought	259,731 million yen	233,756 million yen
Securities	364,863 million yen	642,253 million yen
Loans and bills discounted	1,122,642 million yen	1,271,241 million yen

Debt corresponding to assets pledged as collateral

Borrowed money	1,612,000 million yen	2,277,400 million yen
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In addition to the above, securities have been pledged as collateral for foreign exchange settlements, derivative transactions, etc., and the amounts are as follows.

	As of March 31, 2022	As of March 31, 2023
Securities	10,360 million yen	1,709 million yen

In addition, other assets include deposit for central counterparty, margin deposits for futures transactions, cash collateral pledged for financial instruments and other guarantee deposits. These amounts are as follows.

	As of March 31, 2022	As of March 31, 2023
Deposit for central counterparty	113,236 million yen	167,353 million yen
Margin deposits for futures transactions	627 million yen	846 million yen
Cash collateral pledged for financial instruments	13,023 million yen	20,631 million yen
Other guarantee deposits	13,087 million yen	13,943 million yen

*5. Overdraft agreements and commitment line agreements for loans are agreements that promise to lend funds up to a certain limit when receiving an offer to execute a loan from a customer, as long as there is no violation of the conditions stipulated in the agreement. The balance of unexecuted loans related to these agreements is as follows.

	As of March 31, 2022	As of March 31, 2023
Balance of unexecuted loans	562,182 million yen	604,671 million yen
Of which: those whose original agreement period can be canceled unconditionally at any time	557,347 million yen	596,214 million yen

Since many of these agreements expire without loans being executed, the balance of unexecuted loans does not necessarily affect the future cash flows of the Bank and its consolidated subsidiaries, etc. Many of these agreements contain clauses to the effect that the Bank and its consolidated subsidiaries, etc. may refuse to accept a loan application or reduce the maximum agreement amount if there are changes in financial conditions, preservation of claims, or other reasonable reasons. In addition, even after signing an agreement, the Bank regularly monitors the customer's business conditions based on predetermined internal procedures, reviews the agreement as necessary, and take measures to protect credit.

*6. Accumulated depreciation of tangible fixed assets is as follows.

	As of March 31, 2022	As of March 31, 2023
Accumulated depreciation	3,349 million yen	3,842 million yen

*7. The Bank has entered into overdraft agreements with banks with the aim of improving the efficiency of fund management and securing alternative liquidity. The balance of unexecuted borrowings related to overdraft agreements at the end of the fiscal year under review is as follows.

	As of March 31, 2022	As of March 31, 2023
Total overdraft limit	10,000 million yen	10,000 million yen
Balance of executed borrowings	— million yen	— million yen
Balance	10,000 million yen	10,000 million yen

(Notes on consolidated statements of income)

*1. Other ordinary income includes the following items.

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Gains from dormant deposits	45 million yen	26 million yen
Reversal of provision for reimbursement of deposits	24 million yen	— million yen

*2. Other ordinary expenses include the following items.

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Losses on reimbursement of deposits	33 million yen	45 million yen
Amortization of unrealized actuarial losses	60 million yen	67 million yen
Charge-off of loans	54 million yen	238 million yen
Stock market listing expenses	46 million yen	750 million yen
Charge-off of other receivables	2 million yen	4 million yen

(Notes on consolidated statements of comprehensive income)

*1. Reclassification adjustments and tax effect amount related to other comprehensive income

	(Millions of yen)	
	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Valuation difference on available-for-sale securities		
Amount incurred during the period	(4,715)	(5,444)
Reclassification adjustments	(194)	(33)
Before tax effect adjustments	(4,910)	(5,478)
Tax effect amount	1,373	1,626
Valuation difference on available-for-sale securities	(3,536)	(3,851)
Deferred gains or losses on hedges		
Amount incurred during the period	611	(16)
Reclassification adjustments	305	(15)
Before tax effect adjustments	916	(32)
Tax effect amount	(280)	9
Deferred gains or losses on hedges	636	(22)
Foreign currency translation adjustment		
Amount incurred during the period	3,521	1,102
Reclassification adjustments	—	—
Before tax effect adjustments	3,521	1,102
Tax effect amount	—	—
Foreign currency translation adjustment	3,521	1,102
Remeasurements of defined benefit plans, net of tax		
Amount incurred during the period	(67)	56
Reclassification adjustments	60	67
Before tax effect adjustments	(7)	123
Tax effect amount	2	(37)
Remeasurements of defined benefit plans, net of tax	(4)	85
Total other comprehensive income	616	(2,684)

(Notes on consolidated statements of change in net assets)

Fiscal year ended March 31, 2022

1. Matters concerning the type and total number of issued shares

(Thousands of shares)

	Number of shares at the beginning of the fiscal year under review	Number of shares increased during the fiscal year under review	Number of shares decreased during the fiscal year under review	Number of shares at the end of the fiscal year under review	Summary
Issued shares					
Common shares	2,349	—	—	2,349	
Total	2,349	—	—	2,349	

2. Matters concerning the type and number of treasury shares
Not applicable.
3. Matters concerning stock acquisition rights and treasury stock acquisition rights
Not applicable.
4. Matters concerning dividends
Not applicable.

Fiscal year ended March 31, 2023

1. Matters concerning the type and total number of issued shares

(Thousands of shares)

	Number of shares at the beginning of the fiscal year under review	Number of shares increased during the fiscal year under review	Number of shares decreased during the fiscal year under review	Number of shares at the end of the fiscal year under review	Summary
Issued shares					
Common shares	2,349	162,114	—	164,463	(Note)
Total	2,349	162,114	—	164,463	

(Note) The Bank conducted a seventy-for-one stock split of its common shares effective September 27, 2022.

2. Matters concerning the type and number of treasury shares
Not applicable.
3. Matters concerning stock acquisition rights and treasury stock acquisition rights
Not applicable.
4. Matters concerning dividends
Not applicable.

(Notes on consolidated statements of cash flows)

*1. The relationship between the balance of cash and cash equivalents at the end of the fiscal year and the amounts of items listed on the consolidated balance sheets is as follows.

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash and due from banks account	3,649,136 million yen	4,050,227 million yen
Time deposits with deposit terms of more than three months and certificates of deposit	(3) million yen	(3) million yen
Cash and cash equivalents	3,649,133 million yen	4,050,224 million yen

(Notes on lease transactions)

1. Finance lease transactions
Not applicable.
2. Operating lease transactions
Of operating lease transactions, future lease payments for non-cancelable leases

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Within one year	—	1,105
Over one year	—	3,040
Total	—	4,145

(Notes on financial instruments)

1. Matters concerning the status of financial instruments

(1) Action policy on financial instruments

The main businesses of the Group are the deposit business, foreign exchange business and lending business for individuals, and the Group offers ordinary deposits, general time deposits and foreign currency ordinary deposits to both individual and corporate customers, as well as new term deposits and foreign currency time deposits to individual customers. In addition to using these financial liabilities as the main source of funds to provide unsecured card loans with guarantees, housing loans, etc. to individual customers, the Group carries out purchases of securities and monetary claims bought, the establishment of money trusts, market transactions such as call loans, and derivatives and foreign exchange-related transactions that accompany the sale of financial instruments to customers. Remaining aware of the importance of our social responsibility and public mission as a bank, the Group strictly refrains from conducting operations that exceed management strength, such as excessive pursuit of profit, etc., and in particular, manages deposits entrusted by customers with due consideration for safety. In addition, with the aim of optimizing asset/liability composition and securing an appropriate level of capital adequacy across all operation and procurement work, the Group conducts asset and liability management (ALM) operations that focus on interest rate sensitivity, funding liquidity, market liquidity, etc. The Group takes a cautious approach to derivative transactions and has a policy of not treating them as speculative means of earning income.

(2) Details and risks of financial instruments

The financial assets held by the Group are mainly securities, monetary claims bought, and loans and bills discounted.

Securities are mainly Japanese government bonds, Japanese municipal bonds, corporate bonds, foreign securities, etc., and these are exposed to credit risk of issuers, interest rate fluctuation risk, market price fluctuation risk, foreign exchange fluctuation risk and liquidity risk. Monetary claims bought are mainly various trust beneficiary rights, and these are exposed to credit risk of issuers and underlying assets, and interest rate fluctuation risk. Loans and bills discounted are mainly loans to the Ministry of Finance and loans to individual customers, and loans to individual customers are exposed to credit risk of individual customers. They are not particularly exposed to specific concentration risks such as industries or regions.

In terms of financial liabilities, the Group offers products such as ordinary deposits, general time deposits and foreign currency ordinary deposits to individual and corporate customers, as well as new term deposits and foreign currency time deposits to individual customers. New term deposits are exposed to interest rate fluctuation risk, but this risk is hedged by conducting corresponding interest rate swap transactions. Foreign currency ordinary deposits and foreign currency time deposits are exposed to exchange rate fluctuation risk, but this risk is hedged by conducting corresponding forward exchange transactions.

Derivative transactions are future forward exchange transactions and currency swap transactions aimed at hedging exchange rate fluctuation risk related to foreign currency-denominated claims and debts, as well as interest rate swap transactions and interest rate swaptions aimed at hedging interest rate fluctuation risk related to deposits. Regarding hedging instruments and hedged items related to hedge accounting, hedging policies, methods for evaluating the effectiveness of hedges, etc., please refer to "Significant matters serving as the basis for the preparation of consolidated financial statements, 4. Matters concerning accounting policies, (11) Significant hedge accounting methods" listed above.

(3) Risk management system for financial instruments

The Group has established the Regulations for Bank-wide Risk Management as the basic matters for risk management. The types of risks to be managed are classified and identified as (1) credit risk, (2) market risk, (3) funding liquidity risk, (4) market liquidity risk, (5) settlement risk, and (6) operational risk (processing risk, system risk, etc.), and the Group has established basic policies for managing each risk. In addition, on the premise of ensuring the adequacy of capital, and while taking into consideration the external economic environment, the Group has established "ALM rules" aimed at building a sound and optimal operation and procurement portfolio in order to realize management strategies and maximize profit.

The types of risks to be managed are reviewed as necessary, and new risks that have arisen in response to changes in the environment are added to the list of risks to be managed. From the perspective of comprehensively managing these risks, the Group has established the Risk Management Division, which oversees risk management for the entire Group, and conducts comprehensive and systematic management of each risk. Moreover, ALM is managed and operated by the ALM Division.

The Group considers market risk and credit risk to be the most important risks in assessing capital adequacy, and through the process of allocating capital to each risk category and controlling risks within the allocated amount, the Group implements risk management that accepts risks only to the extent that the Group can ensure adequate capital adequacy.

(i) Management of credit risk

Currently, the Bank takes risks mainly in loans for individuals such as housing loans and Rakuten Bank Super Loans (card loans), as well as Rakuten Card trust beneficiary rights, as its main credit risk. However, the Bank quantitatively understands and manages credit risk by conducting risk measurement based on attributes and changes in delinquency status of debtors, recovery rate after default, etc. In addition, for securities holdings and corporate customers with business loans, the Bank grants common debtor ratings stipulated in the Internal Rating Detailed Rules and manages credit limit based on the credibility of the debtors. Moreover, the management status of various credit risks is reported monthly to the Risk Management Committee and the Board of Directors, etc.

(ii) Management of market risk

Market risk is managed based on the Regulations for Market Risk Management and Detailed Regulations for Market Risk Management, which stipulate the method of measurement of risk capital, loss-cut rules, as well as monitoring methods and cycles. Measurement of risk capital results are used for capital allocation management, and the status of compliance with the rules is reported to the Risk Management Committee and Board of Directors, etc. on a daily or monthly basis.

(4) Quantitative information on market risk

(Management of interest rate risk)

The Group's financial assets impacted by interest rate risk, which is a major risk variable, are mainly securities, monetary claims bought, and loans and bills discounted.

In addition to ordinary deposits to individual and corporate customers, and ordinary time deposits and new term deposits to individual customers, financial liabilities also include foreign currency ordinary deposits, foreign currency time deposits, and interest rate swap transactions among derivative transactions.

The Group evaluates these financial assets and financial liabilities at fair value under certain interest rate fluctuations, and the net impact amount after offsetting (hereinafter referred to as the "present value") is used for quantitative analysis in managing interest rate fluctuation risk.

In calculating the present value impact amount, the target financial assets and financial liabilities are divided into a fixed interest rate group and a floating interest rate group, the balance is broken down into appropriate periods according to the interest rate due date, and the interest rate fluctuation range for each period is used. For example, assuming that all risk variables other than interest rates are constant as of March 31, 2023, if all benchmark interest rates rose by 10 basis points (0.1%), present value would increase by 1,362 million yen. Conversely, if they declined by 10 basis points (0.1%), present value would decrease by 1,362 million yen.

The impact amount does not take into account the correlation between interest rates and other risk variables, and foreign currency-denominated assets and liabilities are calculated by converting them into Japanese yen based on the exchange rate as of March 31, 2023. In addition, the Bank has not ruled out a scenario wherein interest rates become negative depending on the period when they decline by 10 basis points.

(Management of foreign exchange risk)

The Group's financial assets impacted by foreign exchange risk, which is a major risk variable, are foreign securities and foreign exchanges.

Financial liabilities include foreign currency-denominated ordinary deposits and foreign currency time deposits among deposits, and forward exchange transactions and foreign exchange swap transactions among derivative transactions. The Group uses the present value impact amount of these financial assets and financial liabilities under certain exchange rate fluctuations for quantitative analysis in managing exchange rate fluctuation risk.

In calculating the present value impact amount, the target financial assets and financial liabilities are divided by currency, and the exchange rate fluctuation range for each currency is used. For example, assuming that all risk variables other than foreign exchanges are constant as of March 31, 2023, if the yen rose 10% against each currency, present value would decrease by 262 million yen. Conversely, if the yen declined 10%, present value would increase by 262 million yen.

The impact amount does not take into account the correlation between foreign exchanges and other risk variables, and present value impact amounts by currency are calculated by converting them into Japanese yen based on the exchange rate as of March 31, 2023.

(5) Supplementary explanation on matters concerning the fair value, etc. of financial instruments

As certain preconditions, etc. are used in the measurement of the fair value of financial instruments, the values may differ depending on different preconditions, etc.

2. Matters concerning the fair value, etc. of financial instruments

Consolidated balance sheet amounts, fair value and differences are as follows. Shares, etc. with no market price are not included in the following table (see (Note 1)). In addition, since cash and due from banks, call loans, cash collateral provided for securities borrowed, foreign exchanges (assets and liabilities), call money, and cash collateral received for securities lent are settled in a short period of time, notes are omitted because the fair value approximates the carrying amount.

As of March 31, 2022

(Millions of yen)

	Consolidated balance sheet amount	Fair value	Difference
(1) Monetary claims bought (*1)	1,680,515	1,681,157	641
(2) Securities			
Held-to maturity debt securities	366,209	364,260	(1,949)
Other securities	211,785	211,785	—
(3) Loans and bills discounted	2,943,891		
Allowance for loan losses (*1)	(1,161)		
	2,942,730	2,947,027	4,296
Total assets	5,201,241	5,204,230	2,988
(1) Deposits	7,584,374	7,584,414	40
(2) Borrowed money	1,612,000	1,612,000	—
Total liabilities	9,196,374	9,196,414	40
Derivative transactions (*2)			
Items to which hedge accounting is not applied	7,669	7,669	—
Items to which hedge accounting is applied (*3)	14	14	—
Total derivative transactions	7,683	7,683	—

(*1) General allowance for loan losses and individual allowance for loan losses corresponding to loans and bills discounted are deducted. Allowance for loan losses for monetary claims bought is directly deducted from the consolidated balance sheet amount due to its immateriality.

(*2) Derivative transactions recorded in other assets and liabilities are collectively displayed.

Net claims and debts arising from derivative transactions are presented on a net basis, and items that total net debt are presented in parentheses.

(*3) To stabilize the cash flow for unfulfilled firm contracts related to hedged foreign currency-denominated time deposits, forward exchange contracts designated as hedging instruments are mainly applied using deferred hedging.

As of March 31, 2023

(Millions of yen)

	Consolidated balance sheet amount	Fair value	Difference
(1) Monetary claims bought (*1)	2,103,040	2,104,092	1,052
(2) Securities			
Held-to maturity debt securities	522,051	516,347	(5,703)
Other securities	256,482	256,482	—
(3) Loans and bills discounted	3,780,587		
Allowance for loan losses (*1)	(2,074)		
	3,778,512	3,777,082	(1,429)
Total assets	6,660,086	6,654,005	(6,081)
(1) Deposits	8,985,693	8,985,743	50
(2) Borrowed money	2,277,400	2,277,400	—
Total liabilities	11,263,093	11,263,143	50
Derivative transactions (*2)			
Items to which hedge accounting is not applied	2,977	2,977	—
Items to which hedge accounting is applied (*3)	(1)	(1)	—
Total derivative transactions	2,975	2,975	—

(*1) General allowance for loan losses and individual allowance for loan losses corresponding to loans and bills discounted are deducted. Allowance for loan losses for monetary claims bought is directly deducted from the consolidated balance sheet amount due to its immateriality.

(*2) Derivative transactions recorded in other assets and liabilities are collectively displayed.

Net claims and debts arising from derivative transactions are presented on a net basis.

(*3) To stabilize the cash flow for unfulfilled firm contracts related to the payment of principal and interest on hedged foreign currency-denominated securities and foreign currency-denominated time deposits, currency swaps and forward exchange contracts designated as hedging instruments are mainly applied using deferred hedging.

(Note 1) The consolidated balance sheet amounts of shares, etc. with no market price and investments in partnerships, etc. are as follows, and they are not included "other securities" in the fair value information of financial instruments.

Category	(Millions of yen)	
	As of March 31, 2022	As of March 31, 2023
(i) Unlisted shares (*1)	—	1,430
(ii) Shares of non-consolidated subsidiaries (*1)	1	1
(iii) Investments in partnerships (*2)	102	602
(iv) Other securities (*2)	8	7
Total	112	2,042

(*1) Unlisted shares and shares of non-consolidated subsidiaries are not subject to fair value disclosure in accordance with Paragraph 5 of the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, March 31, 2020).

(*2) Investments in partnerships and other securities are not subject to fair value disclosure in accordance with Paragraph 24-16 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021).

(Note 2) Scheduled redemption amount after the consolidated closing date for monetary claims and securities with maturity
As of March 31, 2022

	(Millions of yen)				
	Within one year	Over one year and within three years	Over three years and within five years	Over five years and within seven years	Over seven years
Monetary claims bought	1,084,363	458,106	59,503	35,409	43,151
Securities	22,933	4,714	23,160	80,931	446,222
Held-to maturity debt securities	1,900	—	19,976	50,068	294,264
Of which: Japanese government bonds	—	—	19,976	50,068	290,559
Corporate bonds	—	—	—	—	3,705
Others	1,900	—	—	—	—
Other securities with maturity	21,033	4,714	3,184	30,861	151,956
Of which: Japanese government bonds	—	—	—	—	123,519
Corporate bonds	—	30	2,338	20,747	25,104
Others	21,033	4,684	846	10,114	3,333
Loans and bills discounted	948,928	31,255	49,682	27,060	1,886,965
Total	2,056,224	494,075	132,345	143,399	2,376,337

As of March 31, 2023

	(Millions of yen)				
	Within one year	Over one year and within three years	Over three years and within five years	Over five years and within seven years	Over seven years
Monetary claims bought	1,458,619	303,846	220,425	36,585	83,582
Securities	32,158	24,067	74,252	183,385	464,636
Held-to maturity debt securities	—	—	49,969	159,984	312,096
Of which: Japanese government bonds	—	—	49,969	159,871	308,557
Corporate bonds	—	—	—	113	3,539
Others	—	—	—	—	—
Other securities with maturity	32,158	24,067	24,282	23,401	152,539
Of which: Japanese government bonds	—	—	—	—	121,912
Corporate bonds	10	—	10,820	15,503	11,960
Others	32,148	24,067	13,462	7,897	18,667
Loans and bills discounted	993,413	126,670	145,120	168,853	2,346,529
Total	2,484,191	454,584	439,798	388,824	2,894,748

(Note 3) Scheduled amount to be repaid after the consolidated closing date for borrowed money and interest-bearing liabilities

As of March 31, 2022

	(Millions of yen)				
	Within one year	Over one year and within three years	Over three years and within five years	Over five years and within seven years	Over seven years
Deposits	7,562,548	15,126	5,229	252	1,217
Borrowed money	641,000	309,200	661,800	—	—
Total	8,203,548	324,326	667,029	252	1,217

(Note) Among deposits, demand deposits are included in "Within one year."

As of March 31, 2023

	(Millions of yen)				
	Within one year	Over one year and within three years	Over three years and within five years	Over five years and within seven years	Over seven years
Deposits	8,965,752	13,537	4,714	348	1,340
Borrowed money	—	435,200	1,842,200	—	—
Total	8,965,752	448,737	1,846,914	348	1,340

(Note) Among deposits, demand deposits are included in "Within one year."

3. Matters concerning the breakdown, etc. of fair value of financial instruments by level

The fair value of financial instruments is classified into the following three levels according to the observability and materiality of inputs used to measure fair value.

Level 1 fair value: Fair value measured using observable inputs, i.e. quoted prices in active markets for assets or liabilities that are the subject of the measurement

Level 2 fair value: Fair value measured using observable inputs other than Level 1 inputs

Level 3 fair value: Fair value measured using unobservable inputs

If multiple inputs are used that are significant to the fair value measurement, the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement.

(1) Financial instruments recorded on the consolidated balance sheets at fair value

As of March 31, 2022

(Millions of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Monetary claims bought	—	6,060	125,023	131,084
Securities				
Other securities				
Japanese government bonds, Japanese municipal bonds, etc.	123,519	—	—	123,519
Corporate bonds	40,687	—	7,531	48,219
Equity securities	—	—	0	0
Others	—	40,046	—	40,046
Derivative transactions				
Interest rate-related	—	2,891	—	2,891
Foreign currency-related	—	10,480	—	10,480
Total assets	164,206	59,478	132,555	356,241
Derivative transactions				
Interest rate-related	—	2,836	—	2,836
Foreign currency-related	—	2,851	—	2,851
Total liabilities	—	5,688	—	5,688

As of March 31, 2023

(Millions of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Monetary claims bought	—	14,047	131,724	145,772
Securities				
Other securities				
Japanese government bonds, Japanese municipal bonds, etc.	121,912	—	—	121,912
Corporate bonds	14,957	—	23,335	38,293
Equity securities	—	—	0	0
Others	—	77,608	18,667	96,276
Derivative transactions				
Interest rate-related	—	8,926	—	8,926
Foreign currency-related	—	6,494	—	6,494
Total assets	136,869	107,077	173,729	417,676
Derivative transactions				
Interest rate-related	—	8,808	—	8,808
Foreign currency-related	—	3,636	—	3,636
Total liabilities	—	12,445	—	12,445

(2) Financial instruments other than financial instruments recorded on the consolidated balance sheets at fair value
As of March 31, 2022

(Millions of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Monetary claims bought	—	—	1,550,073	1,550,073
Securities				
Held-to maturity debt securities				
Japanese government bonds, Japanese municipal bonds, etc.	358,701	—	—	358,701
Corporate bonds	3,652	—	—	3,652
Others	—	—	1,905	1,905
Loans and bills discounted	—	—	2,947,027	2,947,027
Total assets	362,354	—	4,499,006	4,861,360
Deposits	—	7,584,414	—	7,584,414
Borrowed money	—	1,612,000	—	1,612,000
Total liabilities	—	9,196,414	—	9,196,414

As of March 31, 2023

(Millions of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Monetary claims bought	—	—	1,958,320	1,958,320
Securities				
Held-to maturity debt securities				
Japanese government bonds, Japanese municipal bonds, etc.	512,802	—	—	512,802
Corporate bonds	3,544	—	—	3,544
Others	—	—	—	—
Loans and bills discounted	—	—	3,777,082	3,777,082
Total assets	516,347	—	5,735,402	6,251,750
Deposits	—	8,985,743	—	8,985,743
Borrowed money	—	2,277,400	—	2,277,400
Total liabilities	—	11,263,143	—	11,263,143

(Note 1) Description of the valuation techniques and inputs used in fair value measurements

Assets

Monetary claims bought

For monetary claims bought, fair value is measured using valuation techniques such as the present value technique for future cash flows. We make maximum use of observable inputs in valuation, and inputs include discount rate, loss rate in case of bankruptcy, etc. If significant unobservable inputs are used in the measurement, they are classified as Level 3 fair value. Otherwise, they are classified as Level 2 fair value.

Securities

Securities are classified as Level 1 fair value when unadjusted quoted prices in active markets are available. This mainly includes Japanese government bonds and corporate bonds.

If the market is not active, they are classified as Level 2 fair value, even if published quoted prices are used.

If quoted prices are not available, fair value is measured using valuation techniques such as the present value technique for future cash flows. We make maximum use of observable inputs in valuation, and inputs include discount rate, loss rate in case of bankruptcy, etc. If significant unobservable inputs are used in the measurement, they are classified as Level 3 fair value.

Loans and bills discounted

For loans and bills discounted, fair value is measured by discounting the total amount of principal and interest for each category based on the type of loan, internal rating, and term using a discount rate that reflects credit risk, etc., on the market interest rate. For those with floating interest rates, since market interest rates are reflected in a short period of time, the carrying amount is used as the fair value, as the carrying amount approximates the fair value unless the borrower's credit standing changes significantly after the loan is executed. In addition, the fair value of claims, etc. for bankrupt and practically bankrupt borrowers, and potentially bankrupt borrowers is measured based on the discounted present value using the discounted present value of estimated future cash flows or amounts expected to be recovered from collateral and guarantees, etc. If the impact of unobservable inputs on fair value is significant, they are classified as Level 3 fair value, and if not, they are classified as Level 2 fair value.

Liabilities

Deposits

For demand deposits that are paid immediately upon demand on the consolidated closing date, the relevant amount is used as the fair value. Moreover, for time deposits, fair value is measured based on the discounted present value obtained by discounting future cash flows by classifying them into certain periods. Discount rates are based on market interest rates. For those with a short deposit period (within one year), the carrying amount is used as the fair value, as the fair value approximates the carrying amount. The fair value is classified as Level 2 fair value.

Borrowed money

For borrowed money, the present value is measured by discounting the total amount of principal and interest of the borrowed money classified into certain periods by the interest rate that takes into account the remaining period of the borrowed money and credit risk. For those with floating interest rates, since market interest rates are reflected in a short period of time and the credit standings of the Bank and its consolidated subsidiaries, etc. have not changed significantly after execution, the carrying amount is used as the fair value, as it is considered that the fair value approximates the carrying amount. For contracts with a short contract period (within one year), the carrying amount is used as the fair value, as the fair value approximates the carrying amount. The fair value is classified as Level 2 fair value.

Derivative transactions

Derivative transactions are classified as Level 1 fair value when unadjusted quoted prices in active markets are available.

However, since most derivative transactions are over-the-counter transactions and there are no published quoted prices, fair value is measured using valuation techniques such as the present value technique and the Black-Scholes model, depending on the type of transaction and the period to maturity. The main inputs used in these valuation techniques are interest rates and foreign exchange rates, volatility, etc. If unobservable inputs are not used or the impact is insignificant, they are classified as Level 2 fair value, and plain vanilla swap transactions, forward exchange transactions, etc. are included.

(Note 2) Level 3 fair value information for financial instruments recorded on the consolidated balance sheets at fair value

(1) Quantitative information on significant unobservable inputs

As of March 31, 2022

Category	Valuation technique	Significant unobservable inputs	Scope of inputs	Weighted average of inputs
Monetary claims bought	Present value technique	Discount rate	0.367% - 1.885%	0.819%

As of March 31, 2023

Category	Valuation technique	Significant unobservable inputs	Scope of inputs	Weighted average of inputs
Monetary claims bought	Present value technique	Discount rate	0.354% - 1.862%	0.872%

(2) Reconciliation from the beginning balances to the ending balances, and valuation gains and losses recognized in profit or loss for the period

As of March 31, 2022

	Balance at beginning of period	Profit or loss or other comprehensive income for the period		Net purchases, sales, issuances, and settlements	Transfer into Level 3	Transfer out of Level 3	Balance at end of period	(Millions of yen) Gains or losses on valuation of financial assets and financial liabilities held at the end of the period included in profit or loss for the period
		Recorded in profit or loss	Recorded in other comprehensive income (Note)					
Monetary claims bought	105,728	—	(36)	19,331	—	—	125,023	—
Securities	321	—	16	7,195	—	—	7,532	—
Other securities	321	—	16	7,195	—	—	7,532	—

(Note) Included in "valuation difference on available-for-sale securities" in the consolidated statements of comprehensive income.

As of March 31, 2023

	Balance at beginning of period	Profit or loss or other comprehensive income for the period		Net purchases, sales, issuances, and settlements	Transfer into Level 3	Transfer out of Level 3	Balance at end of period	(Millions of yen) Gains or losses on valuation of financial assets and financial liabilities held at the end of the period included in profit or loss for the period
		Recorded in profit or loss	Recorded in other comprehensive income (Note)					
Monetary claims bought	125,023	—	0	6,700	—	—	131,724	—
Securities	7,532	—	(16)	34,487	—	—	42,004	—
Other securities	7,532	—	(16)	34,487	—	—	42,004	—

(Note) Included in "valuation difference on available-for-sale securities" in the consolidated statements of comprehensive income.

(3) Explanation of valuation processes used for fair value

The Group has established fair value measurement policies and procedures, and measures fair value in accordance with these policies and procedures. An independent valuation division verifies the operational status for whether the fair value obtained is measured using valid valuation techniques and inputs as well as whether they are classified into an appropriate level of the fair value hierarchy, which ensures the appropriateness of the policies and procedures for the measurement of fair value.

In measuring fair value, the Group uses a valuation model that most appropriately reflects the nature, characteristics and risks of each asset. When using quoted prices obtained from third parties, the Group verifies whether the prices are valid using appropriate methods, such as confirming the valuation techniques and inputs used and comparing them with the fair value of similar financial instruments.

(4) Explanation of the impact on fair value of changes in significant unobservable inputs

The significant unobservable input used in measuring the fair value of monetary claims bought is the discount rate. The discount rate consists of TIBOR, Japanese government bond interest rates, etc. and credit risk premiums. In general, a significant increase (decrease) in the discount rate will cause a significant decrease (increase) in fair value.

(Notes on securities)

*1. In addition to "securities" on the consolidated balance sheets, some of the trust beneficiary rights in "monetary claims bought" are included.

*2. "Shares of subsidiaries and consolidated subsidiaries, etc., and shares of affiliated companies" are stated as notes in the financial statements.

1. Trading account securities
Not applicable.
2. Held-to maturity debt securities
As of March 31, 2022

(Millions of yen)				
	Type	Balance sheet amount	Fair value	Unrealized gains/ losses
Securities with carrying value exceeding acquisition costs	Japanese government bonds	61,269	61,370	100
	Japanese municipal bonds	—	—	—
	Short-term corporate bonds	—	—	—
	Corporate bonds	—	—	—
	Others	1,900	1,905	5
	Subtotal	63,169	63,275	106
Securities with carrying value not exceeding acquisition costs	Japanese government bonds	299,335	297,331	(2,003)
	Japanese municipal bonds	—	—	—
	Short-term corporate bonds	—	—	—
	Corporate bonds	3,705	3,652	(52)
	Others	—	—	—
	Subtotal	303,040	300,984	(2,055)
	Total	366,209	364,260	(1,949)

As of March 31, 2023

(Millions of yen)				
	Type	Balance sheet amount	Fair value	Unrealized gains/ losses
Securities with carrying value exceeding acquisition costs	Japanese government bonds	29,976	30,004	27
	Japanese municipal bonds	—	—	—
	Short-term corporate bonds	—	—	—
	Corporate bonds	—	—	—
	Others	—	—	—
	Subtotal	29,976	30,004	27
Securities with carrying value not exceeding acquisition costs	Japanese government bonds	488,422	482,798	(5,623)
	Japanese municipal bonds	—	—	—
	Short-term corporate bonds	—	—	—
	Corporate bonds	3,652	3,544	(107)
	Others	—	—	—
	Subtotal	492,074	486,343	(5,731)
	Total	522,051	516,347	(5,703)

3. Other securities
As of March 31, 2022

(Millions of yen)				
	Type	Balance sheet amount	Acquisition cost	Unrealized gains/ losses
Securities with carrying value exceeding acquisition costs	Equity securities	—	—	—
	Bonds	18,803	18,761	41
	Japanese government bonds	—	—	—
	Japanese municipal bonds	—	—	—
	Short-term corporate bonds	—	—	—
	Corporate bonds	18,803	18,761	41
	Others	61,918	61,797	120
	Subtotal	80,721	80,559	162
Securities with carrying value not exceeding acquisition costs	Equity securities	—	—	—
	Bonds	152,935	154,697	(1,762)
	Japanese government bonds	123,519	124,975	(1,456)
	Japanese municipal bonds	—	—	—
	Short-term corporate bonds	—	—	—
	Corporate bonds	29,416	29,722	(305)
Others	109,212	112,916	(3,704)	
	Subtotal	262,147	267,614	(5,466)
	Total	342,869	348,173	(5,304)

Financial Data

As of March 31, 2023

(Millions of yen)				
	Type	Balance sheet amount	Acquisition cost	Unrealized gains/losses
Securities with carrying value exceeding acquisition costs	Equity securities	—	—	—
	Bonds	12,505	12,466	39
	Japanese government bonds	—	—	—
	Japanese municipal bonds	—	—	—
	Short-term corporate bonds	—	—	—
	Corporate bonds	12,505	12,466	39
	Others	88,141	88,067	74
	Subtotal	100,647	100,534	113
Securities with carrying value not exceeding acquisition costs	Equity securities	1,430	1,430	—
	Bonds	147,699	151,232	(3,532)
	Japanese government bonds	121,912	124,475	(2,563)
	Japanese municipal bonds	—	—	—
	Short-term corporate bonds	—	—	—
	Corporate bonds	25,787	26,757	(969)
	Others	153,907	161,274	(7,367)
	Subtotal	303,037	313,937	(10,899)
	Total	403,684	414,471	(10,786)

4. Held-to-maturity debt securities sold during the fiscal year under review

Not applicable.

5. Other securities sold during the fiscal year under review

Fiscal year ended March 31, 2022

(Millions of yen)			
	Sales amount	Total gain on sales	Total loss on sales
Equity securities	—	—	—
Bonds	361,703	214	16
Japanese government bonds	—	—	—
Japanese municipal bonds	—	—	—
Short-term corporate bonds	—	—	—
Corporate bonds	361,703	214	16
Others	1,051	—	—
Total	362,754	214	16

Fiscal year ended March 31, 2023

(Millions of yen)			
	Sales amount	Total gain on sales	Total loss on sales
Equity securities	—	—	—
Bonds	166,696	13	3
Japanese government bonds	—	—	—
Japanese municipal bonds	—	—	—
Short-term corporate bonds	—	—	—
Corporate bonds	166,696	13	3
Others	4,472	22	—
Total	171,169	36	3

6. Securities for which the holding purpose has been changed

Not applicable.

7. Impaired securities

Not applicable.

(Valuation difference on available-for-sale securities)

The breakdown of valuation difference on available-for-sale securities recorded on the consolidated balance sheets is as follows.

As of March 31, 2022

(Millions of yen)	
	Amount
Valuation difference	(5,301)
Other securities	(5,301)
(+) Deferred tax assets	1,500
(-) Deferred tax liabilities	(6)
Valuation difference on available-for-sale securities (before adjustment of amount equivalent to equity)	(3,808)
(-) Amount equivalent to non-controlling interests	212
Valuation difference on available-for-sale securities	(3,596)

As of March 31, 2023

(Millions of yen)	
	Amount
Valuation difference	(10,780)
Other securities	(10,780)
(+) Deferred tax assets	3,128
(-) Deferred tax liabilities	(7)
Valuation difference on available-for-sale securities (before adjustment of amount equivalent to equity)	(7,659)
(-) Amount equivalent to non-controlling interests	295
Valuation difference on available-for-sale securities	(7,364)

(Notes on derivative transactions)

1. Derivative transactions to which hedge accounting is not applied

For derivative transactions to which hedge accounting is not applied, the notional amount or amount equivalent to the principal stipulated in the contract, fair value, and unrealized gains/losses as of the consolidated closing date for each type of transaction are as follows. The notional amount itself does not indicate the market risk associated with derivative transactions.

(1) Interest rate-related transactions

As of March 31, 2022

(Millions of yen)					
Category	Type	Notional amount	Of the notional amount, over one year	Fair value	Unrealized gains/losses
OTC	Interest rate swaption				
	Sold	70,705	70,705	(2,836)	(2,836)
	Purchased	70,935	70,935	2,840	2,840
Total		—	—	3	3

(Notes) 1. The above is based on a mark-to-market valuation and has been recorded on the consolidated statements of income.

2. Interest swaps include interest swaption transactions which are difficult for the Bank to differentiate.

As of March 31, 2023

(Millions of yen)					
Category	Type	Notional amount	Of the notional amount, over one year	Fair value	Unrealized gains/losses
OTC	Interest rate swaption				
	Sold	109,973	109,973	(8,808)	(8,808)
	Purchased	110,104	110,104	8,803	8,803
Total		—	—	(5)	(5)

(Notes) 1. The above is based on a mark-to-market valuation and has been recorded on the consolidated statements of income.

2. Interest swaps include interest swaption transactions which are difficult for the Bank to differentiate.

(2) Foreign currency-related transactions

As of March 31, 2022

(Millions of yen)					
Category	Type	Notional amount	Of the notional amount, over one year	Fair value	Unrealized gains/losses
OTC	Forward exchange contracts				
	Sold	674,954	39	3,907	3,907
	Purchased	744,059	441	4,326	4,326
	Currency options				
	Sold	132	—	(0)	(0)
	Purchased	132	—	0	0
	Currency swaps	12,435	12,435	(618)	(618)
Total		—	—	7,614	7,614

(Note) The above is based on a mark-to-market valuation and has been recorded on the consolidated statements of income.

As of March 31, 2023

(Millions of yen)					
Category	Type	Notional amount	Of the notional amount, over one year	Fair value	Unrealized gains/losses
OTC	Forward exchange contracts				
	Sold	562,969	573	2,331	2,331
	Purchased	631,279	2,240	1,794	1,794
	Currency options				
	Sold	—	—	—	—
	Purchased	—	—	—	—
	Currency swaps	12,435	12,435	(1,266)	(1,266)
Total		—	—	2,859	2,859

(Note) The above is based on a mark-to-market valuation and has been recorded on the consolidated statements of income.

2. Derivative transactions to which hedge accounting is applied

For derivative transactions to which hedge accounting is applied, the notional amount or amount equivalent to the principal stipulated in the contract and fair value as of the consolidated closing date for each type of transaction and by hedge accounting method are as follows. The notional amount itself does not indicate the market risk associated with derivative transactions.

(1) Interest rate-related transactions

As of March 31, 2022

(Millions of yen)					
Hedge accounting method	Type	Main hedged items	Notional amount	Of the notional amount, over one year	Fair value
Special treatment for interest rate swaps	Interest rate swaps	Held-to maturity debt securities	1,900	—	(Note)
	Pay-fixed/receive-floating				
Total			—	—	—

(Note) Interest rate swaps subject to special treatment are processed together with hedged held-to-maturity debt securities, therefore their fair value is included in the fair value of the relevant held-to-maturity debt securities.

As of March 31, 2023

Not applicable.

(2) Foreign currency-related transactions
As of March 31, 2022

(Millions of yen)					
Hedge accounting method	Type	Main hedged items	Notional amount	Of the notional amount, over one year	Fair value
Principle processing method	Forward exchange contracts	Unfulfilled firm contracts related to foreign currency-denominated time deposits			
	Sold		9	0	(0)
	Purchased		116	0	14
Total			—	—	14

(Note) Deferred hedging is mainly used in accordance with Industry Committee Practical Guidance No. 25.

As of March 31, 2023

(Millions of yen)					
Hedge accounting method	Type	Main hedged items	Notional amount	Of the notional amount, over one year	Fair value
Principle processing method	Forward exchange contracts	Unfulfilled firm contracts related to foreign currency-denominated time deposits			
	Sold		25	15	0
	Purchased	201	65	(2)	
	Currency swaps	Foreign currency-denominated securities	16,118	16,118	0
Total			—	—	(1)

(Note) Deferred hedging is mainly used in accordance with Industry Committee Practical Guidance No. 25.

(Notes on retirement benefits)

1. Overview of retirement benefit plans adopted

The Group mainly adopts defined benefit plans and defined contribution plans as its retirement benefit plans. The Group's defined benefit plans are primarily retirement lump-sum payment plans. Retirement lump-sum payment plans do not involve external funding for retirement benefit plan obligations, and the Group is responsible for paying the benefits directly to the beneficiaries. There are no legal requirements for funding. Retirement lump-sums are paid based on salary and period of service, etc., based on retirement allowance regulations such as the employment regulations of each company.

2. Defined benefit plans

(1) Reconciliation of retirement benefit obligations at the beginning and end of the period

	(Millions of yen)	
	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Balance of retirement benefit obligations at beginning of period	806	1,163
Service cost	275	220
Interest cost	3	7
Amount of actuarial gains and losses	67	(56)
Retirement benefits paid	(16)	(57)
Amount of past service cost	—	—
Others	25	15
Balance of retirement benefit obligations at end of period	1,163	1,292

(2) Reconciliation of pension assets at the beginning and end of the period

Not applicable.

(3) Reconciliation of the balance of retirement benefit obligations and pension assets at the end of the period, and retirement benefit liability and retirement benefit asset recorded on the consolidated balance sheets

	(Millions of yen)	
	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Funded defined benefit obligations	—	—
Plan assets	—	—
Unfunded defined benefit obligations	1,163	1,292
Net liability in the consolidated balance sheets	1,163	1,292
Net defined benefit liability	1,163	1,292
Net defined benefit asset	—	—
Net liability in the consolidated balance sheets	1,163	1,292

(4) Amount of retirement benefit expenses and their breakdown items

	(Millions of yen)	
	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Current service cost	275	220
Interest cost	3	7
Expected return on plan assets	—	—
Amortization of unrecognized actuarial gains (losses)	60	67
Amortization of unrecognized past service cost	—	—
Other	—	0
Retirement benefit expenses	340	296

(5) Remeasurements of defined benefit plans, net of tax

The breakdown of items (before tax effect deduction) recorded in remeasurements of defined benefit plans, net of tax is as follows.

	(Millions of yen)	
	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Past service cost	—	—
Actuarial gains and losses	(7)	123
Others	—	—
Total	(7)	123

(6) Remeasurements of defined benefit plans

The breakdown of items (before tax effect deduction) recorded in remeasurements of defined benefit plans is as follows.

	(Millions of yen)	
	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Unrecognized past service cost	—	—
Unrecognized actuarial gains and losses	67	(56)
Total	67	(56)

(7) Matters concerning pension assets

Not applicable.

(8) Matters concerning the calculation basis in actuarial calculation

Major calculation bases in actuarial calculation (presented as weighted averages)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Discount rate	0.5%	1.1%
Expected long-term rate of return on plan assets	—	—
Expected future salary increase rate	0.8 to 2.8%	0.8 to 2.7%

3. Defined contribution plans

The required contributions to the defined contribution plans of the Bank and its consolidated subsidiaries were 33 million yen for the previous fiscal year and 36 million yen for the fiscal year under review.

(Notes on stock options, etc.)

1. Expenses and account names related to stock options

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
General and administrative expenses	210 million yen	153 million yen

2. Details of stock options

The Bank's parent company Rakuten Group, Inc. grants stock compensation-type stock options to the Bank's Directors and employees, and of the amount borne by the Bank, the amount incurred by the end of the fiscal year under review is recorded as compensation expenses.

(Notes on tax effect accounting)

1. Breakdown of major causes of deferred tax assets and deferred tax liabilities

	As of March 31, 2022	As of March 31, 2023
Deferred tax assets		
Tax losses carried forward	793 million yen	1,430 million yen
Allowance for loan losses	371 million yen	623 million yen
Losses from bad debts	371 million yen	342 million yen
Excess depreciation	365 million yen	398 million yen
Retirement benefit liability	356 million yen	412 million yen
Impairment losses on securities	189 million yen	189 million yen
Valuation difference on available-for-sale securities	1,493 million yen	3,120 million yen
Others	1,285 million yen	1,834 million yen
Subtotal of deferred tax assets	5,227 million yen	8,352 million yen
Valuation allowance	— million yen	— million yen
Total deferred tax assets	5,227 million yen	8,352 million yen
Deferred tax liabilities		
Difference in shares of affiliates due to corporate division	— million yen	124 million yen
Deferred gains or losses on hedges	4 million yen	— million yen
Total deferred tax liabilities	4 million yen	124 million yen
Net deferred tax assets	5,222 million yen	8,228 million yen

2. If there is a significant difference between the legal effective tax rate of the company submitting consolidated financial statements and the burden rate of income taxes after the application of tax effect accounting, a breakdown by major item that caused said difference

Notes are omitted because the difference between the legal effective tax rate and the burden rate of income taxes after the application of tax effect accounting is less than 5/100 of the legal effective tax rate.

(Notes on business combination, etc.)

Not applicable.

(Notes on asset retirement obligations)

Fiscal year ended March 31, 2022

Not applicable.

Fiscal year ended March 31, 2023

Since the total amount of asset retirement obligations is immaterial, it is omitted.

(Notes on real estate for rent, etc.)

Not applicable.

(Notes on revenue recognition)

Fiscal year ended March 31, 2022

Disaggregation of revenue from contracts with customers

Category	(Millions of yen)
Ordinary income	106,026
Of which: fees and commissions	40,368
Foreign exchange deposit business	24,221
Housing loans handling business	2,907
Card settlement business	9,186
toto and lottery sales business	3,268
Other businesses	5,439
Consideration paid to customers	(4,654)

(Note) Fees and commissions' foreign exchange deposit business income is mainly generated from the Sales & Product Planning Division (Personal Customers), the Sales & Product Planning Division (Corporate Customers) and the Innovative Service Planning Division, while other businesses' income is mainly generated from the Sales & Product Planning Division (Personal Customers). The above table also includes income based on ASBJ Statement No. 10, "Accounting Standard for Financial Instruments."

Fiscal year ended March 31, 2023

Disaggregation of revenue from contracts with customers

Category	(Millions of yen)
Ordinary income	120,445
Of which: fees and commissions	41,151
Foreign exchange deposit business	25,142
Housing loans handling business	3,103
Card settlement business	10,818
toto and lottery sales business	3,051
Other businesses	5,212
Consideration paid to customers	(6,177)

(Note) Fees and commissions' foreign exchange deposit business income is mainly generated from the Sales & Product Planning Division (Personal Customers), the Sales & Product Planning Division (Corporate Customers) and the Innovative Service Planning Division, while other businesses' income is mainly generated from the Sales & Product Planning Division (Personal Customers). The above table also includes income based on ASBJ Statement No. 10, "Accounting Standard for Financial Instruments."

(Notes on segment information, etc.)

[Segment information]

Although the Group is engaged in some non-banking businesses, these businesses are not significant in terms of volume, and the reportable segment is the banking business only, and therefore, this information is omitted.

[Related information]

Fiscal year ended March 31, 2022

1. Information by service

The Group's ordinary income from external customers in the banking business category accounts for more than 90% of ordinary income on the consolidated statements of income, and therefore, this information is omitted.

2. Information by region

(1) Ordinary income

For the Group, the amount classified as ordinary income from external customers in Japan exceeds 90% of ordinary income on the consolidated statements of income, and therefore, this information is omitted.

(2) Tangible fixed assets

(Millions of yen)		
Japan	Taiwan	Total
1,549	1,604	3,153

3. Information by major customer

(Millions of yen)		
Name of the customer	Ordinary income	Related segment name
Rakuten Group, Inc. and its group companies	21,675	Banking business

(Note) Ordinary income is stated instead of general company sales.

Fiscal year ended March 31, 2023

1. Information by service

The Group's ordinary income from external customers in the banking business category accounts for more than 90% of ordinary income on the consolidated statements of income, and therefore, this information is omitted.

2. Information by region

(1) Ordinary income

For the Group, the amount classified as ordinary income from external customers in Japan exceeds 90% of ordinary income on the consolidated statements of income, and therefore, this information is omitted.

(2) Tangible fixed assets

(Millions of yen)		
Japan	Taiwan	Total
2,357	1,357	3,715

3. Information by major customer

(Millions of yen)		
Name of the customer	Ordinary income	Related segment name
Rakuten Group, Inc. and its group companies	21,839	Banking business

(Note) Ordinary income is stated instead of general company sales.

[Information on impairment losses on fixed assets by reportable segment]

Not applicable.

[Information on amortization of goodwill and unamortized balance by reportable segment]

Since the Group consists of a single segment of the banking business, this information is omitted.

[Information on gain on negative goodwill by reportable segment]

Not applicable.

[Related party information]

1. Transactions with related parties

(1) Transactions between the company submitting consolidated financial statements and related parties

(a) Parent company and major shareholders of the company submitting consolidated financial statements (limited to companies, etc.), etc.

Fiscal year ended March 31, 2022

(Millions of yen)

Type	Name of the company, etc.	Location	Capital	Business details and work	Ownership ratio of voting rights, etc.	Relationship with related parties	Transaction details	Transaction amount	Items	Balance at end of period
Parent company of parent company	Rakuten Group, Inc.	Tamagawa, Setagaya-ku, Tokyo	290,607	E-commerce business and travel agency business	Owned indirectly 100.0%	Officers with concurrent positions Secondment of employees	Consolidated tax payment	Note 1 1,933	Accounts payables	1,933

(Note) 1. Conducted under the same conditions as general transactions.

(Millions of yen)

Type	Name of the company, etc.	Location	Capital	Business details and work	Ownership ratio of voting rights, etc.	Relationship with related parties	Transaction details	Transaction amount	Items	Balance at end of period
Parent company	Rakuten Card Co., Ltd.	Minami-Aoyama, Minato-ku, Tokyo	19,323	Credit card business	Owned directly 100.0%	Loan guarantee Outsourcing Collection agency, etc.	Underwriting of beneficiary rights	Note 2 113,022	Monetary claims bought	Note 1 1,462,405
							Balance of consumer loans guaranteed by the parent company	263,817	Accounts payables	Note 1 23,000
							Guarantee fees paid	Note 3 15,439	—	—
							Proceeds from subrogation	13,109	—	—
							Interest received on beneficiary rights	Note 1 12,090	Accrued interest	Note 1 1,189

(Notes) 1. Transaction conditions are determined in consultation with Rakuten Card Co., Ltd. in consideration of general market conditions.

2. Transaction amounts for underwriting of beneficiary rights are shown as net amounts.

3. Guarantee fees are determined in consultation with Rakuten Card Co., Ltd., taking into consideration the generally accepted guarantee fee rate.

Fiscal year ended March 31, 2023

Not applicable.

- (b) Companies, etc. that have the same parent company as the company submitting consolidated financial statements and subsidiaries, etc. of other affiliated companies of the company submitting consolidated financial statements
Fiscal year ended March 31, 2022
Not applicable.

Fiscal year ended March 31, 2023

(Millions of yen)

Type	Name of the company, etc.	Location	Capital	Business details and work	Ownership ratio of voting rights, etc.	Relationship with related parties	Transaction details	Transaction amount	Items	Balance at end of period
Subsidiary of parent company	Rakuten Card Co., Ltd.	Minami-Aoyama, Minato-ku, Tokyo	19,323	Credit card business	—	Loan guarantee Outsourcing Collection agency, etc.	Underwriting of beneficiary rights	Note 2 385,672	Monetary claims bought Accounts payables	Note 1 1,848,078
							Balance of consumer loans guaranteed by the subsidiary of parent company	233,990		—
							Guarantee fees paid	Note 3 13,557		—
							Proceeds from subrogation Interest	9,777		—
							Interest received on beneficiary rights	Note 1 14,505		Accrued interest

- (Notes) 1. Transaction conditions are determined in consultation with Rakuten Card Co., Ltd. in consideration of general market conditions.
2. Transaction amounts for underwriting of beneficiary rights are shown as net amounts.
3. Guarantee fees are determined in consultation with Rakuten Card Co., Ltd., taking into consideration the generally accepted guarantee fee rate.

- (2) Transactions between consolidated subsidiaries of the company submitting consolidated financial statements and related parties
Nothing significant to mention.

2. Notes regarding the parent company or significant affiliates
(1) Information on parent company
Rakuten Group, Inc. (listed on the Tokyo Stock Exchange)
(2) Summary of financial information of significant affiliates
Not applicable.

(Per share information)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net assets per share	1,137.52yen	1,295.31yen
Profit per share	121.84yen	168.37yen

- (Notes) 1. Diluted profit per share is not presented because there are no potentially dilutive common shares.
2. The Bank conducted a seventy-for-one stock split of its common shares effective September 27, 2022. Accordingly, the net assets per share and the profit per share have been calculated based on the assumption that the stock split was carried out at the beginning of fiscal 2022.
3. The basis of the calculation of profit per share is as follows:

Item	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Profit per share		
Profit attributable to owners of parent (millions of yen)	20,039	27,692
Amounts not attributable to common shareholders (millions of yen)	—	—
Profit attributable to owners of parent for common share (millions of yen)	20,039	27,692
Average number of common shares issued during the period (thousand shares)	164,463	164,463

4. The basis of the calculation of net assets per share is as follows:

Item	As of March 31, 2022	As of March 31, 2023
Net assets (millions of yen)	206,494	231,684
Deduction from net assets (millions of yen)	19,413	18,651
(Of which: stock acquisition rights) (millions of yen)	(—)	(—)
(Of which: non-controlling interest) (millions of yen)	(19,413)	(18,651)
Net assets attributable to common shareholders at the end of the period (millions of yen)	187,081	213,032
Number of common shares outstanding at the end of the period used in the calculation of net assets per share (thousand shares)	164,463	164,463

(Significant subsequent events)

Issuance of new shares by public offering

Having received approval from the Tokyo Stock Exchange, Inc. the Bank listed its shares on the Prime Market of the Tokyo Stock Exchange on April 21, 2023. For the listing, the Bank's Board of Directors resolved at its meeting held on March 22, 2023, to issue new shares for subscription as follows, and payments were completed on April 20, 2023.

(1) Offering method	Public offering (book-building method)
(2) Class and number of shares to be offered	5,555,500 shares of common stock of the Bank
(3) Issue price	1,400 yen per share
(4) Underwriting price	1,330 yen per share
(5) Amount to be incorporated into the stated capital	665 yen per share
(6) Total amount of underwriting price	7,388 million yen
(7) Total amount to be incorporated into the stated capital	3,694 million yen
(8) Payment date	April 20, 2023
(9) Use of funds	All funds will be used for working capital. The funds will be used to increase the Bank's capital adequacy, expand loans to individual and corporate customers, and accumulate a variety of investment products centering on monetary claims.

Issuance of new shares by third-party allotment

At the Board of Directors meeting held on March 22, 2023, in connection with the secondary offering of the Bank's shares through over-allotment by means of third-party allotment conducted by Daiwa Securities Co. Ltd., the Board of Directors resolved to issue new shares through a third-party allotment to Daiwa Securities Co. Ltd., and completed the payment on May 24, 2023, as shown below.

(1) Offering method	Third-party allotment (secondary offering through over-allotment)
(2) Class and number of shares to be offered	4,463,000 shares of common stock of the Bank
(3) Allotment price	1,330 yen per share
(4) Amount to be incorporated into the stated capital	665 yen per share
(5) Total amount of allotment price	5,935 million yen
(6) Total amount to be incorporated into the stated capital	2,967 million yen
(7) Payment date	May 24, 2023
(8) Allottee	Daiwa Securities Co. Ltd.
(9) Use of funds	All funds will be used for working capital. The funds will be used to increase the Bank's capital adequacy, expand loans to individual and corporate customers, and accumulate a variety of investment products centering on monetary claims.

Disclosure regarding Composition of Capital

Consolidated Capital Adequacy Ratio

(Millions of yen)

Item	End of FY2022	End of FY2021
Basic items related to core capital		
Shareholders' equity related to common shares or mandatory convertible preferred shares	216,549	187,445
Of which: share capital and capital surplus	29,834	28,422
Of which: retained earnings	186,714	159,022
Of which: treasury stock	—	—
Of which: earnings to be distributed	—	—
Of which: amounts other than the above	—	—
Accumulated other comprehensive income included in core capital	3,860	3,222
Of which: foreign currency translation adjustment	3,821	3,269
Of which: amount related to retirement benefits	38	(47)
Stock acquisition rights related to common shares or mandatory convertible preferred shares	—	—
Adjusted non-controlling interests related to core capital	541	205
Total provisions included in basic items related to core capital	1,347	650
Of which: general allowance for loan losses included in core capital	1,347	650
Of which: eligible allowance included in core capital	—	—
Eligible noncumulative perpetual preferred shares subject to transitional arrangements (amount allowed to be included in core capital: instruments and reserves)	—	—
Eligible capital instruments subject to transitional arrangements (amount allowed to be included in core capital: instruments and reserves)	—	—
Of capital-raising instruments issued through measures related to recapitalization by public institutions: amount included in basic items related to core capital	—	—
Of the amount equivalent to 45% of the difference between the land revaluation value and the carrying amount before revaluation: amount included in basic items related to core capital	—	—
Of non-controlling interests: amount included in basic items related to core capital due to transitional measures	10,866	13,445
Basic items related to core capital (A)	233,164	204,969
Adjustment items related to core capital		
Total intangible fixed assets (excluding those related to mortgage servicing rights)	13,385	11,312
Of which: amount related to goodwill	61	97
Of which: amount other than goodwill and mortgage servicing rights	13,323	11,214
Deferred tax assets (excluding temporary differences)	1,430	793
Shortfall of eligible allowance	—	—
Amount equivalent to capital that increased due to securitization transactions	—	—
Amount of the mark-to-market valuation difference arising from the mark-to-market valuation of liabilities that is included in capital	—	—
Retirement benefit asset	—	—
Investments in own shares (excluding those reported in the net assets section)	—	—
Intentionally held eligible capital-raising instruments of other financial institutions, etc.	—	—
Eligible common shares, etc. of minority investment financial institutions, etc.	—	—
Amount exceeding the 10% standard for specific items	—	—
Of which: amount related to eligible common shares, etc. of other financial institutions, etc.	—	—
Of which: amount related to intangible fixed assets related to mortgage servicing rights	—	—
Of which: amount related to deferred tax assets (limited to temporary differences)	—	—
Amount exceeding the 15% standard for specific items	—	—
Of which: amount related to eligible common shares, etc. of other financial institutions, etc.	—	—
Of which: amount related to intangible fixed assets related to mortgage servicing rights	—	—
Of which: amount related to deferred tax assets (limited to temporary differences)	—	—
Adjustment items related to core capital (B)	14,816	12,105
Capital		
Amount of capital (C) = (A) - (B)	218,348	192,863
Risk-weighted assets, etc.		
Total amount of credit risk-weighted assets (D)	1,810,656	1,694,367
Of which: total amount included in risk-weighted assets due to transitional measures	—	—
Of which: exposure to other financial institutions, etc.	—	—
Of which: amounts other than the above	—	—
Amount obtained by dividing the total amount equivalent to market risk by 8% (E)	—	—
Amount obtained by dividing the total amount equivalent to operational risk by 8% (F)	135,422	121,169
Credit risk-weighted assets adjustment (G)	—	—
Amount equivalent to operational risk adjustment (H)	—	—
Total amount of risk-weighted assets, etc. (I) = (D) + (E) + (F) + (G) + (H)	1,946,079	1,815,537
Consolidated capital adequacy ratio		
Consolidated capital adequacy ratio (Japanese domestic standard) = (C) / (I) x 100 (%)	11.21%	10.62%

Rakuten
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