

楽天

Rakuten, Inc.
Annual Report

Fiscal Year Ended December 31, 2009

Contents

Our Group

A brief introduction to the characteristics, strengths and market position of the Rakuten Group.

- 02 This is Rakuten**
- 04 Rakuten in Numbers**
- 06 Financial Highlights**

Our Strategies

How we will build on our successes to date and continue to deliver value to shareholders.

- 08 To Our Shareholders**
- 13 Corporate History**

Our Activities

An overview of our business operations and other activities, from segment performance to corporate governance.

- 14 At a Glance**
- 16 Review of Operations**
 - 16 E-Commerce Business**
 - 17 Travel Business**
 - 18 Credit Card Business**
 - 19 Banking Business**
 - 20 Securities Business**
 - 20 Portal and Media Business**
 - 21 Professional Sports Business**
 - 21 Telecommunications Business**
- 22 Technology**
- 23 Philosophy**
- 24 CSR Activities**
- 25 Corporate Governance**
- 28 Risk Factors**

Our Year

Full disclosure about how well we performed over the fiscal year ended December 31, 2009.

- 36 Financial Section and Corporate Data**

Cautionary Statement

In this report, unless indicated otherwise, references to "Rakuten", "Rakuten Group", "we", "our" and "us" are to Rakuten, Inc. and its consolidated subsidiaries and consolidated affiliates. Statements regarding current plans, strategies, beliefs and other statements that are not historical facts of the Rakuten Group are forward-looking statements.

Such forward-looking statements are based on management's assumptions and beliefs in light of information currently available, and it should be noted that risks and unforeseen factors could cause actual results to differ significantly from those discussed in the report. We do not intend to update these forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable laws.

"Rakuten", 楽天 and RAKUTEN are registered trademarks of Rakuten, Inc. in Japan.



Origins of the Name Rakuten

Rakuten Ichiba is named after *Rakuichi-Rakuza*, the first free and open marketplace in Japan, opened in the 16th century.

When used as a verb, *raku* is written with a Chinese character meaning to enjoy oneself (楽). The same character is used in Rakuten, which means "positive spirit." The name Rakuten Ichiba literally means a "market of positive spirit," where shopping is entertainment. These words symbolize the driven, forward-looking nature of our business. That is why we named our company Rakuten, Inc.

Profile



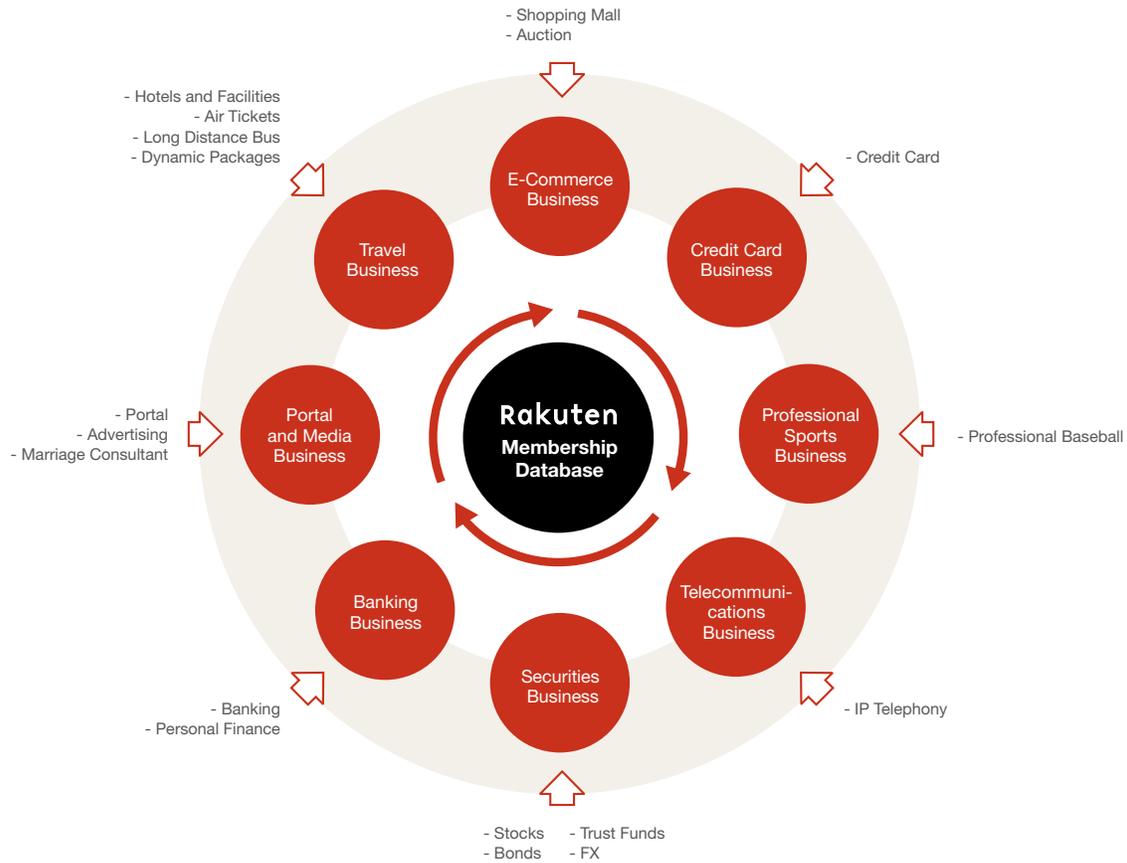
Japan's Leading Internet Service Company

Continues to Grow

Rakuten is an integrated Internet Service Company. Since our foundation in 1997, we have expanded into a wide range of business areas, including e-commerce. Today, Rakuten holds leading positions in key areas of Japan's Internet service sector, and operates the country's largest Internet shopping mall, Rakuten Ichiba.

After more than a decade of continuous growth, Rakuten is now focused on expanding beyond Japan into overseas markets, especially in Asia. Our ultimate goal: To become the world's leading Internet service enterprise.

This is Rakuten



Fast Mover

In just over a decade, Rakuten has evolved into a market-leading provider of integrated Internet services.

→ Rakuten provides one-stop access to a wide range of services via the Internet. Our member database serves as the foundation for an enhanced marketing strategy based on the organic linkage of all Rakuten Group services, including e-commerce, travel, portals and finance, under the Rakuten brand. We call this circulatory system (shown above) the "Rakuten Eco-System."

Continuing our evolution, we are now accelerating the expansion of this unique economic environment by maximizing synergies and user migration between services. We are also constantly exploring ways of creating new value, including convergence with off-line business activities.

By continually expanding the Rakuten Eco-System, we will maximize the lifetime value of each customer.

Top Rankings

Rakuten is No. 1 in Japanese Internet brand index rankings.

→ Rakuten Ichiba took the number one position in the Japanese Internet brand index rankings, while other Rakuten Group services, including Rakuten Travel, Rakuten Auction and Rakuten Books, earned six of the top 20 rankings in a recent survey*. These results are indicative of the high levels of recognition and support that our services have gained among Internet users in Japan.

* Web Brand Survey 2010-I, Nikkei BP Consulting (October 2009)

→ The Rakuten Group continues to achieve top rankings in the Japanese markets for its various service categories. Rakuten Ichiba holds the largest share of the Japanese e-commerce market, while Rakuten Travel is Japan's top site in terms of online hotel reservations. Similarly, eBANK (now Rakuten Bank) has the most accounts of any Internet-only bank in Japan. In addition, the Rakuten Super Points Program was voted the most convenient points system in a recent user poll*.

* Nikkei Trendy, December 15, 2009

Brand Power

We bring our world together under a single powerful brand.

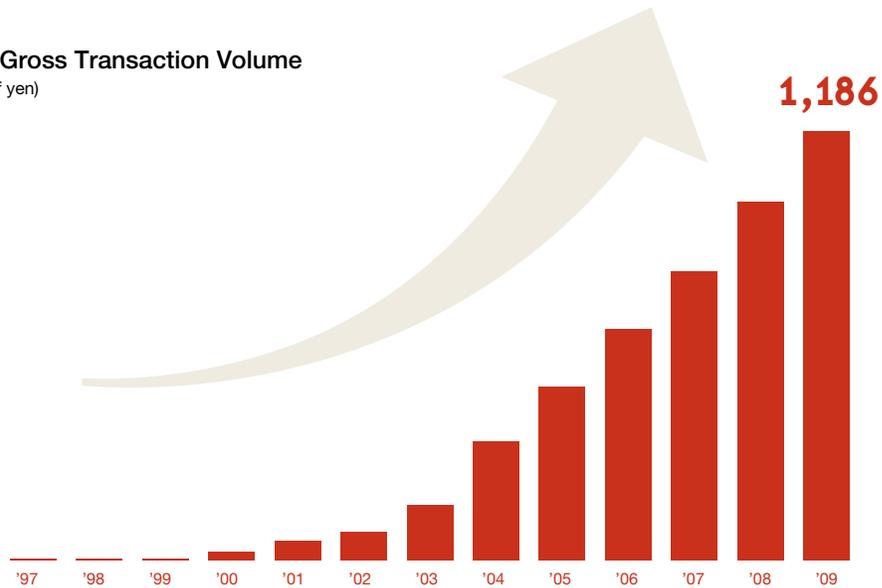
→ Our vision is to expand beyond Japan, and we are now developing a strategy to drive our evolution on the global stage. Our unique e-commerce expertise has enabled us to contribute to regional economic revitalization in Japan, and we are confident that the same know-how will provide a foundation for success internationally. We want to contribute to economic growth in Japan and other countries by building cross-border e-commerce in global markets.

Global Potential

Our vision is to contribute to market growth in Japan, and globally.

Rakuten in Numbers

Group Gross Transaction Volume
(Billions of yen)



1 Trillion

in Group Gross Transaction Volume after more than a decade of rapid, continuous growth.

➔ Over the past decade, we have been steadily advancing toward our ¥1 trillion target for Group Gross Transaction Volume* on websites operated by the Rakuten Group in Japan. In fiscal 2009, our Group Gross Transaction Volume increased by 20.1% year on year. This growth rate, substantially higher than the rate of increase for the entire Japanese e-commerce market, took the gross transaction volume for the Rakuten Group in Japan through the ¥1 trillion barrier to ¥1.186 trillion. This figure is similar to the annual turnover of a major department store chain in Japan.

* The total volume of all e-commerce and travel transactions handled in Japan.

By satisfying the increasing demand for convenient online services, we will continue to grow.

40.7%

of Rakuten members use multiple services in the Rakuten Eco-System.

→ In fiscal 2009, the cross-use ratio increased by 4.2 percentage points over the previous year's level to 40.7%. Factors contributing to this gain include our continuing efforts to improve products and services across the entire Rakuten Group, and the use of our exclusive loyalty program, the Rakuten Super Points Program, as the basis for a variety of point campaigns.

→ Japan has an online population of some 90 million people, of whom about 60 million are Rakuten members. This total includes 8.5 million unique users who make at least one purchase per quarter on Rakuten Ichiba. The number of quarterly unique users increased by 21.5% year on year, and we believe that there is still substantial growth potential within the Japanese market alone.

8.5 Million

unique users in the Rakuten Ichiba user base—and counting.

31,000 Merchants

on Rakuten Ichiba, making it Japan's largest Internet shopping mall.

→ Rakuten Ichiba opened in May 1997 with just 13 merchants. The number of merchants exceeded 10,000 in 2004 and 20,000 in 2007. In fiscal 2009, we continued to contract with new merchants, especially among small and medium-sized enterprises, and also offered proposals that matched the business formats of major corporations. Through these efforts, we were able to increase the total number of merchants to over 31,000. The fact that the latest 10,000 increase was achieved in the shortest time so far clearly shows the accelerating growth of our merchant base.

Financial Highlights

Rakuten, Inc. and Consolidated Subsidiaries
Years Ended December 31

Fiscal Year	Millions of yen			Thousands of U.S. dollars *1
	2007	2008	2009	2009
Profit and Loss				
Net sales	¥213,938	¥249,883	¥298,252	\$3,241,518
Operating income	119*2	47,151	56,649	615,683
Net income (loss)	36,899*3	(54,978)*4	53,564	582,155
Cash Flows				
Net cash (used in) provided by operating activities	¥42,967	¥(13,467)	¥(55,219)	\$ (599,553)
Net cash provided by (used in) investment activities	55,070	(40,977)	217,160	2,357,877
Net cash (used in) provided by financing activities	(113,628)	62,397	(174,157)	(1,890,959)
Assets and Liabilities				
Total assets	¥1,158,923	¥1,086,938	¥1,759,237	\$19,101,377
Total liabilities	965,100	928,211	1,540,617	16,727,655
Total net assets	193,824	158,727	218,620	2,373,721
Per Share (in yen and U.S. dollars)				
Total net assets	¥14,212.68	¥11,439.86	¥15,527.21	\$168.59
Net income (loss)				
Basic	2,825.95	(4,203.55)	4,092.17	44.43
Diluted	2,813.32	—	4,077.62	44.27
Dividend	100.00	100.00	100.00	1.09

Notes: *1 U.S. dollar figures have been translated from yen, for convenience only, at the rate of ¥92.10 to US\$1, the approximate rate of exchange at December 31, 2009.

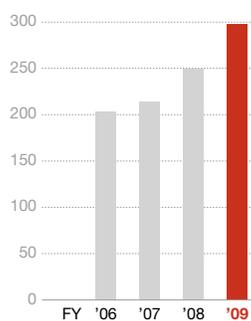
*2 The fiscal 2007 operating income included a one-time expense of ¥24.5 billion due to additional provisions for allowances relating to interest repayment claims at Rakuten KC Co., Ltd.

*3 The fiscal 2007 net income included gain on sales of affiliate securities of ¥53,873 million.

*4 The fiscal 2008 net loss included loss on valuation of investment securities of ¥67,177 million.

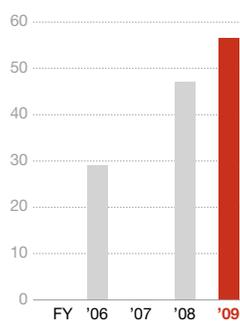
Net Sales

(Billions of yen)



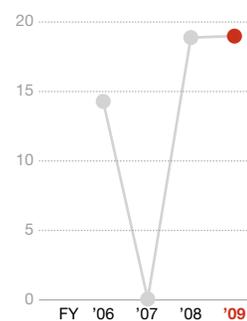
Operating Income

(Billions of yen)



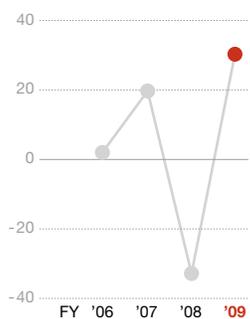
Operating Margin

(%)



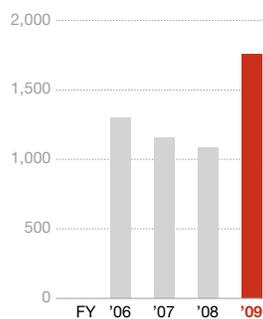
ROE

(%)



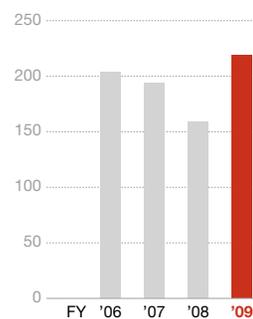
Total Assets

(Billions of yen)



Net Assets

(Billions of yen)



To Our Shareholders

Rakuten

—Boldly Taking on New Challenges in an Expanding Arena

→ The Rakuten Group continues to see rapid growth led by its E-Commerce and Travel Businesses. We accredit this success to our strengthening of the Rakuten Eco-System as the foundation for integrated Internet-based services.

Our theme for 2010 will be global expansion. This year, we will begin our evolution into a strong global company. This is our vision for the future, and we will achieve it by accelerating our international expansion and shifting focus to overseas markets, while also contributing to the Japanese economy.

Furthermore, to remain a model of success in today's rapidly changing Internet sector, we will prepare for future growth through a range of initiatives, including improving service quality and utilizing our settlement services to maximize customers' satisfaction.

Q.1 How would you assess the results for fiscal 2009?

Sales and income, especially from our online services in Japan, grew strongly. The income result was our highest ever.

Net sales increased by 19.4% year on year to ¥298,252 million. Operating income also rose substantially, setting a new record for the second consecutive year with a 20.1% rise to ¥56,649 million. On our Internet shopping mall Rakuten Ichiba, which is our core business, growth in gross merchandise sales surpassed the market growth rate, exceeding the previous year's total by 20.6%. The gross booking transaction volume on our online travel reservation site, Rakuten Travel, also continued to grow strongly, rising by 17.2% year on year.

We see the fiscal 2009 results as evidence of the strong operating capacity and potential of the Rakuten Group companies, including eBANK Corporation (renamed Rakuten Bank in May 2010), which made a successful business transition after joining the consolidation in the first quarter of fiscal 2009. We are confident that we have demonstrated to shareholders the ability of the Rakuten Group to generate income reliably.

A photograph of Hiroshi Mikitani, Chairman and CEO of Rakuten, speaking at a podium. He is wearing a dark pinstriped suit jacket, a white shirt, and a red tie. He is gesturing with his right hand raised, palm facing forward. The background is dark.

Hiroshi Mikitani

Chairman and CEO

Q.2 What factors have helped you achieve these strong performance results?

Besides growing use of e-commerce in general, improvements in the user-friendliness of our sites and strategic marketing are key factors.

A big reason for our continuing success has been the rapidly growing popularity of online services. Thanks to various initiatives, especially campaigns based on our reward points program strategy, and the continuing expansion of our merchandise line-up with the establishment of large-scale and regionally focused stores, Rakuten has grown rapidly ever since we first launched online services. Our efforts to enhance the satisfaction of business partners, such as improving support services for merchants and accommodation facilities, have also contributed significantly.

We aim to achieve sustained growth by adapting quickly to new developments in our rapidly changing business environment, including increased use of smartphones and other mobile access devices, and by enhancing the competitiveness of our online services in Japan. The latter entails continuously adding attractive new features, such as social media marketing and personalization, to our e-commerce systems and other services.

We will also strengthen the Rakuten Eco-System model in Japan by further enhancing usability so as to encourage members to use multiple services.

To Our Shareholders

Q.3 What steps have you taken to strengthen your finance-related businesses?

We are strengthening our settlement services, including online banking, credit card and e-money services.

The Rakuten Group quickly connected e-commerce and payment collection services. We have expanded our settlement business through various strategies, such as developing our Credit Card Business. By maintaining our own operations in the credit and payment area, where switching costs are high, we can strengthen cross-use of services.

Since introducing our card service in 2005, we have seen that Rakuten Card holders spend more on average on Rakuten Ichiba than non-Rakuten Card holders. Also, the introduction of the Rakuten Card has accelerated growth in the service cross-use ratio. By keeping the settlement infrastructure within the Rakuten Group, we activate money flows within the Rakuten Eco-System and strengthen customer loyalty.

In January 2009, we moved into online banking by acquiring eBANK, Japan's leading online bank in terms of account numbers, as a subsidiary. In November 2009, we announced a full-scale entry into the electronic money (e-money) business with the acquisition of bitWallet, Inc., which plans and operates the Edy prepaid e-money system and has been a pioneer in the field since 2001. Japan's e-money market, including the Edy system, continues to expand steadily in step with a general trend toward cashless processing of micro-payments. The Rakuten Group is moving along with this trend, including linking settlement services with our points program. With this approach, we expect to increasingly influence consumer behavior, in terms of both settlement services and real-world consumer spending.



The logo of the pioneering Edy e-money system operated by bitWallet Inc.

Q.4 Please tell us about Rakuten's ambitions to expand overseas.

We aspire to be a strong global company, and are shifting our focus beyond Japan's borders.

Through our international expansion, we want to empower business owners and consumers in other countries, as we have in Japan. We will implement prioritized strategies that will enable the Rakuten Group to contribute, through continuous growth, to medium- to long-term global economic development.

We began as an entrepreneur business in Japan, and have now reached a new stage as we evolve into one of Asia's leading enterprises. Ultimately, we intend to become a borderless shopping mall operator. In fiscal 2008, we opened our first



The homepage of Rakuten Ichiba Taiwan, our first overseas shopping mall.

overseas Internet shopping mall in Taiwan, which is now firmly established and on track for future growth.

Thailand: In September 2009, Rakuten entered into a capital and business alliance with TARAD Dot Com Co., Ltd., which operates Thailand's leading e-commerce website, TARAD.com. We chose Thailand because it offers the greatest potential for e-commerce market growth in Southeast Asia. Approximately 160,000 merchants are already trading on TARAD.com, and around 1.4 million products, including fashion items and electronic appliances, are on sale. Membership has reached 2 million.

We have introduced Rakuten business expertise and the Rakuten style of management to TARAD.com. Early in 2010, we started to enhance and expand the company's services by applying functions and services from Rakuten Ichiba.

China: We are also building a presence in China. In January 2010, Rakuten reached agreement with Baidu, Inc. to establish a joint venture for the operation of an Internet shopping mall in China. Baidu's activities include the operation of Baidu.com, China's leading search engine and the third-ranked search service in the world in terms of global market share.

China's business-to-consumer (B2C) e-commerce market is expected to expand rapidly in the future. The new joint venture, which plans to launch its services in the second half of 2010, aims to become the number one B2C Internet shopping mall in that market by combining Baidu.com's capacity to attract users with Rakuten Ichiba's e-commerce platform technology and operating expertise.

We also anticipate continuing growth in the overseas activities of Rakuten Travel. This business currently has eight overseas offices, mainly in the Asia-Pacific region.



Rakuten joining forces with TARAD.com in Thailand.



To Our Shareholders

Q.5 What are your financial projections for fiscal 2010?

While the economic outlook remains uncertain, the Rakuten Group has key advantages and is active in markets that are expected to grow continuously.

In fiscal 2010, the year ending December 31, 2010, we expect to maintain high growth fueled by continuing expansion in the use of our services, especially in the E-Commerce and Travel Businesses. The market environment for our finance-related businesses is less predictable because of the impact of regulatory changes and volatile market conditions. We are determined to surpass the fiscal 2009 results by adapting to this environment by continually enhancing our existing services, and by actively launching new ones.

Q.6 What is your policy on shareholder returns?

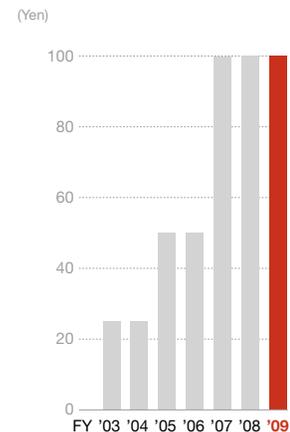
Our basic policy is to maintain stable dividends while investing in future growth.

Healthy growth in income is a core management priority for the Rakuten Group, and we continually strive to maximize business performance and strengthen our financial fundamentals. Our basic policy on shareholder returns is to maintain stable shareholder dividends while retaining sufficient income to build the reserves needed to develop our operations and maintain a sound financial structure. Accordingly, we paid a dividend of ¥100 per share for fiscal 2009. We will use retained earnings to prepare for the future development and expansion of our business by further strengthening our financial and management structures.

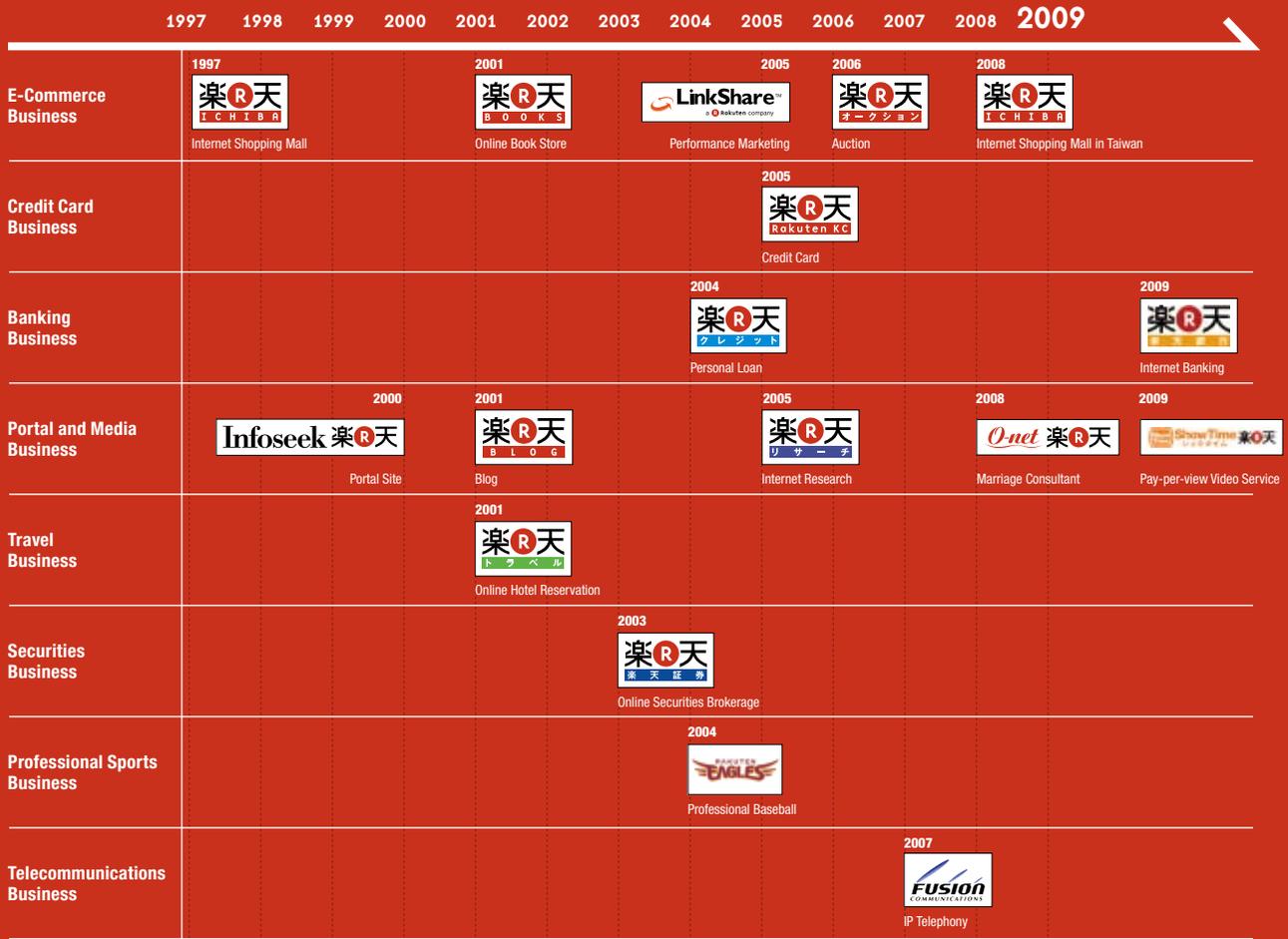


Hiroshi Mikitani
Chairman and CEO

Dividend per Share
(Adjusted for Stock Splits)



Corporate History



1998 Rakuten Ichiba, the Internet shopping mall, commences operation.

2000 Rakuten, Inc. goes public through an IPO on the JASDAQ market.

Rakuten Books is founded as a joint venture with Nippon Shuppan Hanbai Inc.

Infoseek Japan K.K. is acquired by Rakuten, Inc. to create a portal service.

2001 Rakuten Travel starts online hotel reservation services.

2003 MyTrip.net is acquired by Rakuten, Inc. to spearhead the travel business; later merged with Rakuten Travel, Inc. in 2004.

Rakuten, Inc. acquires 96.7% of shares in DLJdirect SFG Securities to create the current Rakuten Securities, Inc.

2004 Rakuten, Inc. acquires 96.5% of shares in Aozora Card; the company is later renamed Rakuten Credit, Inc.

Rakuten Baseball, Inc. is founded to start a professional sports business.

2005 Rakuten, Inc. acquires 100% of shares in LinkShare Corporation to spearhead overseas push.

Rakuten Auction, Inc. is founded as a joint venture with NTT Docomo, Inc.

Kokunai Shinpan Co., Ltd. (now Rakuten KC) is included in the consolidation as a subsidiary of Rakuten Inc.

2006 Rakuten KC transfers its auto loan business to Orient Corporation to streamline its business.

2007 Rakuten, Inc. acquires 73.5% of the shares in Fusion Communications to commence IP telephony business.

Rakuten Books is integrated into Rakuten Ichiba to improve business efficiency.

2008 Rakuten Logistics is founded to commence new logistics business.

Rakuten, Inc. and President Chain Store establish a joint venture agreement to start a Taiwan-based internet shopping mall business: Rakuten Ichiba Taiwan.

Rakuten, Inc. signs an agreement with eBANK Corporation (now Rakuten Bank) regarding a strategic and capital alliance.

2009 Japanese pay-per-view video service provider SHOWTIME, Inc. is made a wholly owned subsidiary by stock acquisition.

TARAD Dot Com Co., Ltd., an Internet shopping mall operator in Thailand, becomes a subsidiary through Rakuten (Thailand) Co., Ltd.

A capital alliance agreement is signed with bitWallet, Inc.

At a Glance

E-Commerce Business

Share of Net Sales **38.6%**

In fiscal 2009, Rakuten Ichiba user numbers grew strongly, due to targeted promotions and initiatives to expand the product line-up and acquire new merchants from diversified genres and regions. Gross transaction volume rose 20.6% year on year, and net sales rose 26.3% to ¥115,003 million. Increased net sales from Rakuten Ichiba and extensive cost-cutting in other areas led to a sharp 39.0% year-on-year rise in operating income to ¥36,222 million.

Rakuten Ichiba (Internet Shopping Mall), Auction, Package Media, Golf, Auto, Delivery, Dining, Tickets, Business Service, Performance Marketing, Media Rental, Off-track Betting, Logistics Service, Global Ichiba, Net Super Market, Check Out

Credit Card Business

Share of Net Sales **19.3%**

The new Credit Card Business* produced net sales of ¥57,699 million in fiscal 2009, reflecting growth in cardholder numbers and a sustained increase in revenues from credit card shopping. Operating income reached ¥3,313 million, despite worsening economic conditions and cost increases, including higher marketing expenditure to attract new cardholders.

KC

*Previously Credit and Payment Business

Banking Business

Share of Net Sales **10.2%**

The Banking Business, established in the first quarter of fiscal 2009 with the addition of eBANK Corporation (now Rakuten Bank) to the consolidation, saw solid positive trends. Net sales reached ¥30,301 million and operating income ¥2,418 million. Contributing factors included sustained growth in fees and commissions due to the expansion of settlement services by eBANK Corporation. Income from financial assets, specifically loans and investment assets, also increased.

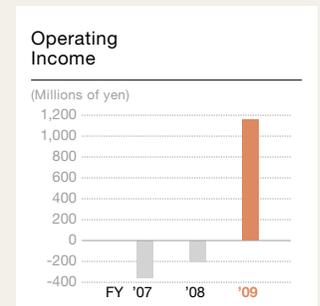
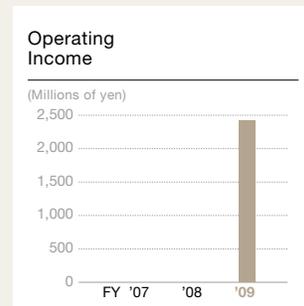
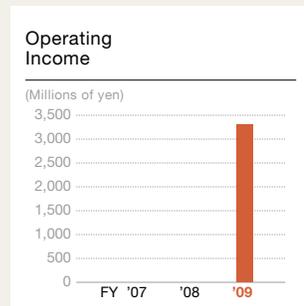
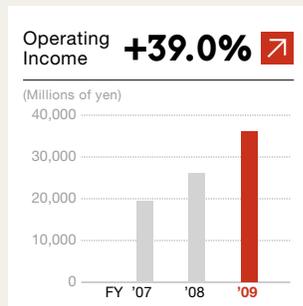
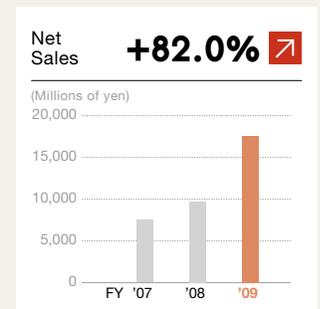
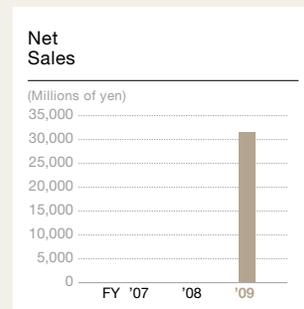
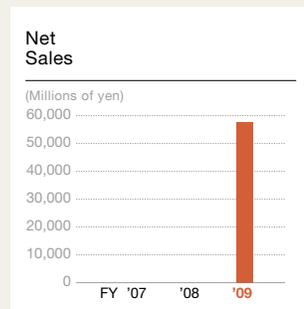
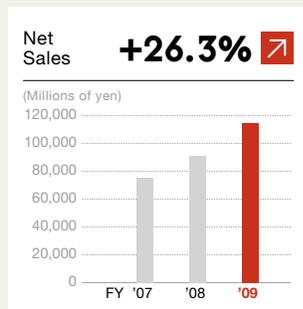
Banking, Personal Finance

Portal and Media Business

Share of Net Sales **5.9%**

Net sales for this segment grew 82.0% to ¥17,622 million in fiscal 2009, leading to operating income of ¥1,164 million, a steep recovery from the previous year's ¥205 million operating loss. Major boosts came from newly consolidated subsidiaries, such as the marriage consulting service O-net, Inc. and pay-per-view video service provider SHOWTIME, Inc. Advertising revenue from existing businesses also grew steadily.

Infoseek, Advertising, AD Solution, Research, Blog, Marriage Consultant (O-net), Rakuten Photo, College Students' Portal Community, Content, Wedding, Tool Bar





Travel Business

Share of Net Sales **6.5%**

In fiscal 2009, the Travel Business worked to boost sales through initiatives aimed at enhancing convenience for leisure travelers. We also enhanced the support for contracted accommodation facilities. As a result, gross booking transaction volume rose 17.2% year on year. Net sales increased by 19.3% year on year to ¥19,321 million, and operating income by 17.9% to ¥8,802 million.

Travel

Securities Business

Share of Net Sales **7.9%**

The Securities Business recorded strong growth in the Rakuten FX (foreign currency margin transaction) service in fiscal 2009, but the sluggish Japanese stock market resulted in lower commission revenues. These and other factors caused net sales to decline by 5.1% year on year to ¥23,549 million. However, operating income was 15.7% higher at ¥4,464 million, partly due to cost-cutting measures.

Securities, Investment, Insurance

Professional Sports Business

Share of Net Sales **2.8%**

Fiscal 2009 saw the Tohoku Rakuten Golden Eagles advance to the Climax Series for the first time, attracting increased media attention. This helped to boost both ticket revenues and sales of goods for the Professional Sports Business. Net sales rose by 5.0% year on year to ¥8,361 million, and the operating loss was reduced from ¥812 million in the previous year to ¥617 million.

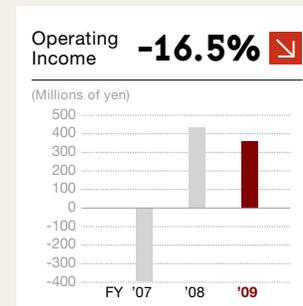
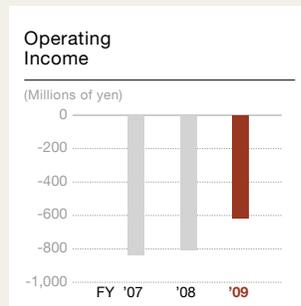
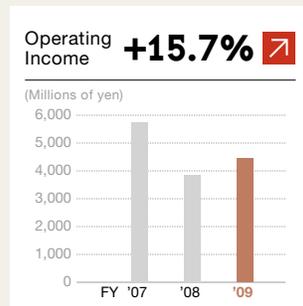
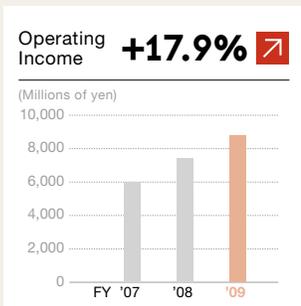
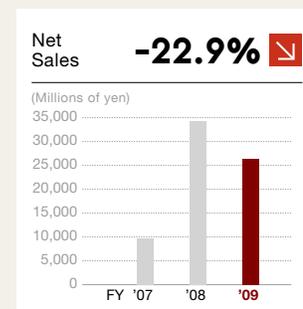
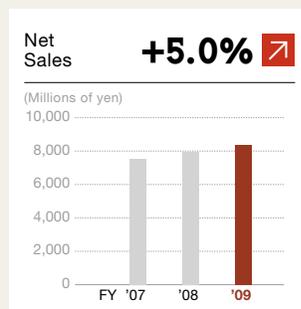
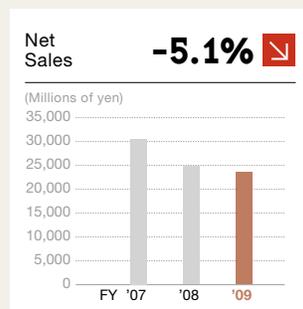
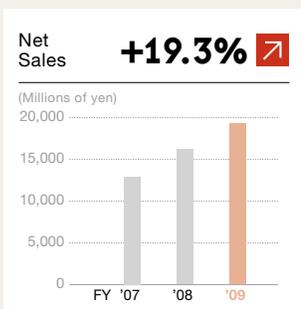
Professional Sports

Telecommunications Business

Share of Net Sales **8.9%**

In fiscal 2009, we continued the rebuilding of our operations in the Telecommunications Business through various initiatives, including the reduction of overheads. However, the market environment for the IP telephony business remained harsh, and net sales were 22.9% lower year on year at ¥26,396 million. Operating income declined by 16.5% to ¥363 million.

IP Telephony



Review of Operations



E-Commerce Business

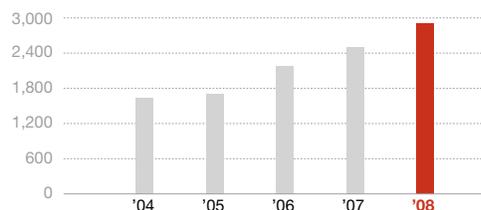
Japanese E-Commerce Market Expanding

Japan's business-to-consumer retail e-commerce market continues to expand. In 2008, the market grew by 14.8% year on year to a size of approximately ¥2.9 trillion (excl. service travel bookings). Currently, e-commerce makes up only 1.7% of the total Japanese retail market, compared with 3.5% in the United States, which is a world leader in Internet use. This means there is considerable scope for further growth in the Japanese e-commerce market*.

This is a time of dramatic change, both in the world economy and also in the Internet sector. In this environment, the Rakuten Group's top priority is to build a business structure capable of growing globally over the medium- to long-term future.

* Research in IT Utilization in Japan 2008 (METI)

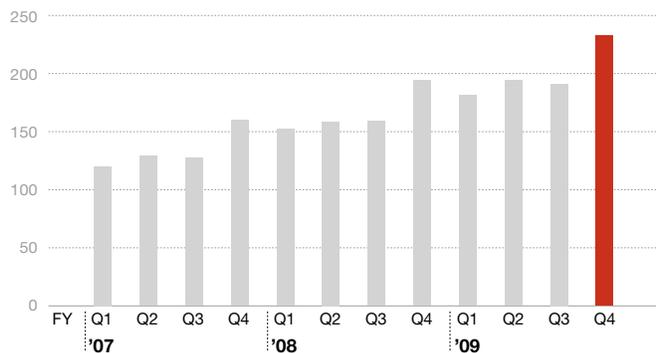
Growth of Domestic E-Commerce Market
(Billions of yen)



Strong Trend in Gross Merchandise Sales

Our core business in this segment is Rakuten Ichiba. The growth of Rakuten Ichiba has been driven not only by the increasing use of e-commerce services by Internet users, but also by our dynamic efforts to expand our product line-up and encourage the establishment of new merchants in categories and regions that we have not previously explored. We have also implemented highly successful sales promotions based on our Rakuten Super Points Program and strategic marketing campaigns linked to sophisticated analyses of consumer behavior. These factors have allowed us to maintain a steep upward trend in gross merchandise sales, which increased by 20.6% year on year (20.9% after adjustment for the leap year in 2008) in fiscal 2009.

GMS (Rakuten Ichiba and Rakuten Books)*
(Billions of yen)



* GMS: Mall (Fixed-price, Group Buy), Mobile (Fixed-price, Group Buy) and Rakuten Books

Enhancing User Functionality

We are continually enhancing user functionality on Rakuten Ichiba. Enhancements in fiscal 2009 include expanding the review system, which allows shoppers to submit comments, and reinforcing the personalization platform, which is based on our exclusive cloud computing technology, ROMA (see page 22). By providing retargeting, personalization and recommendation functions, we were able to increase the percentage of visits that resulted in actual sales.

Retargeting



Page personalization



Recommendation





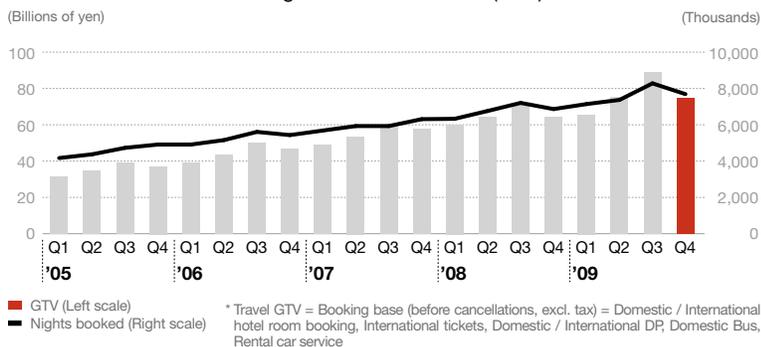
Travel Business

Number One among Japanese Hotel Reservation Sites

We continued aggressive marketing campaigns targeting leisure travelers in fiscal 2009. Also, we enhanced user convenience by improving the functions of the Rakuten Travel site and upgrading systems to support access via smartphones and other mobile equipment. At the same time, we expanded support for contracted accommodation facilities. These measures led the number of nights booked to grow substantially to 305 million, allowing us to maintain our top ranking* among the Japanese hotel reservation sites.

* Source: Company research

Rakuten Travel Gross Booking Transaction Volume (GTV)*



Overseas Activities— Eight Overseas Offices Established

Our goal is to expand our overseas markets, especially in the Asia-Pacific. Since 2002, when we first launched Rakuten Travel overseas, we have opened offices in Shanghai and Beijing, China, as well as in South Korea, Guam, Bangkok, Hawaii, Hong Kong and Taiwan. The offices in Hawaii, Hong Kong and Taiwan were added in fiscal 2009, bringing the total number to eight.

We will continue to enhance services and capabilities with the aim of building Rakuten Travel into Asia's premier travel site. As one of Asia's biggest online hotel reservation sites, we now also accept bookings in English, Mandarin, Cantonese and Korean.



The top page of Chinese website.

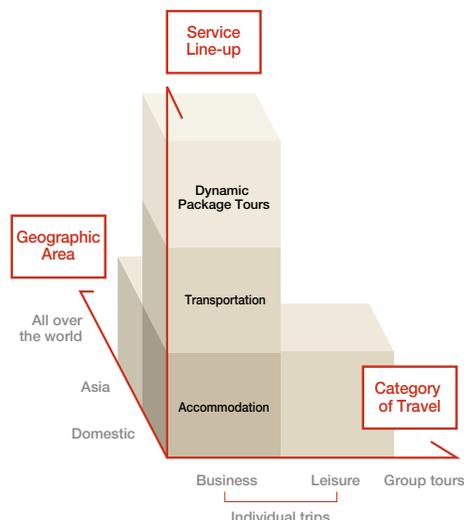
Ongoing Initiatives

Under the "Three-Dimensional Growth Strategy," Rakuten Travel is focused on expanding its businesses in three areas: Category, geographic area and service.

Category: Booking arrangement services will be expanded from business use to leisure use and to group travel, thereby extending services beyond today's main booking purposes.

Geographic area: The business field will be extended to the rest of Asia and globally. In the mid- to long term, we will dedicate more resources to Asia with the goal of becoming "the No. 1 online travel agency in Asia."

Service: To meet a wider range of customer needs, the service line-up will be extended from hotel bookings to air ticket reservations, rental car arrangements and optional services including additional flexible dynamic packages.



Review of Operations

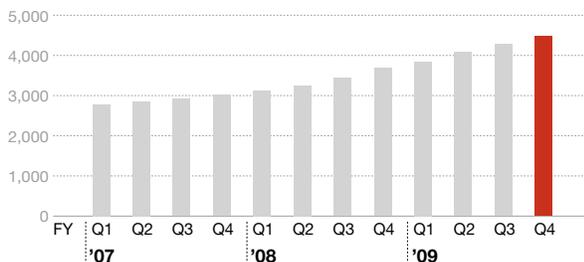


Credit Card Business

Cardholder Base Expanding

In addition to the Rakuten Super Points Program, designed to maximize synergy benefits within the Rakuten Group, we are also attracting new cardholders through marketing initiatives using the Rakuten Group's membership base. These strategies have brought substantial growth in the number of cardholders and are helping to keep card utilization levels high. Rakuten Cards also help to strengthen links between different businesses within the Rakuten Eco-System. For example, holders of Rakuten Cards tend to make increased use of other Rakuten services.

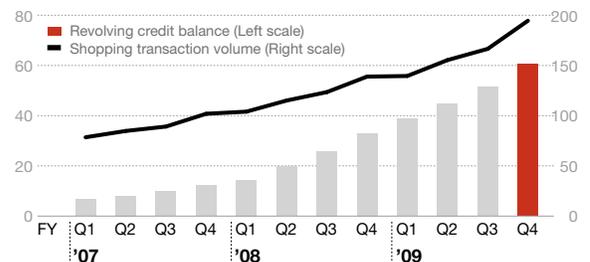
Number of Valid Card Holders
(Thousands)



Growth in Revolving Credit Balance and Shopping Transaction Volume

Rakuten KC saw a 40.0% year-on-year increase in credit card shopping transaction volume. This dramatic increase, taking total transactions to ¥657.5 billion in a year, resulted from growth in the number of Rakuten Card holders and synergies with the E-Commerce Business. Successful marketing also helped Rakuten KC to grow the revolving credit balance by 62.2% year on year. Despite challenging economic conditions, this buoyant trend was reflected in sustained revenue growth.

Credit Card Shopping Transaction Volume and Revolving Credit Balance
(Billions of yen)



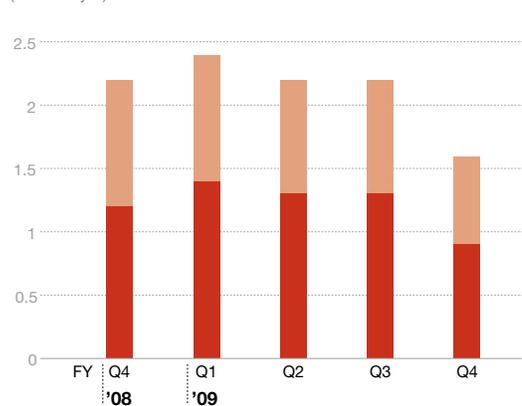
Adapting to the Amended Money-Lending Business Control and Regulation Law

Japan has modified its consumer loans regulations. The changes, which will come into effect fully in June 2010, include restrictions on the amount of credit provided and reduced upper limits for interest rates. Rakuten KC will minimize the risk by retrenching its business activities in areas likely to be affected by these changes, such as cash advance services, and by focusing instead on expanding business activities that are much less vulnerable, such as Rakuten Card shopping services.

Interest repayment claims are declining. At the end of 2009, our allowance for loss on interest repayment claims was sufficient for 3.0 years, as shown by the Q4 figures of fiscal 2009. Rakuten KC plans to take advantage of these conditions to strengthen its role as an online credit card company.

Interest Repayments Claims

(Billions of yen)





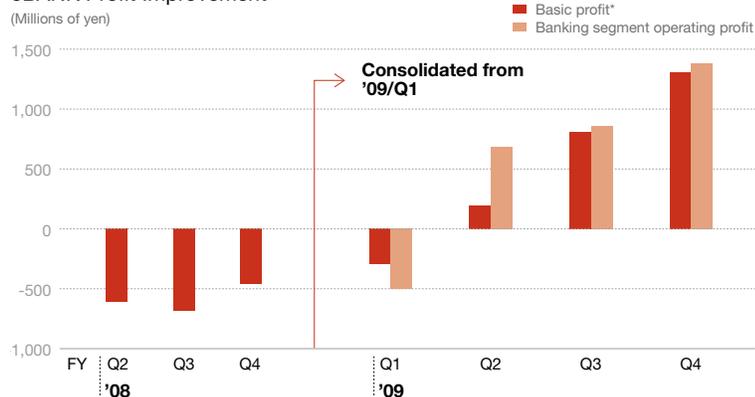
Banking Business

eBANK— Rakuten-Style Operation Brings Solid Shift to Profitability

The addition of eBANK Corporation (“eBANK”) to the Rakuten Group in the first quarter of fiscal 2009, was followed by a period of adjustment to Rakuten-style management and administration systems. The early consolidation of this new structure, combined with the establishment of systems to ensure efficient investment of management resources, allowed eBANK to achieve a positive income position after just one year.

There was a major improvement in eBANK’s basic balance, which remained positive by a rapidly expanding margin from the first quarter onwards. Contributing factors include changes to ATM charges, the retrenchment of unprofitable activities and the reinforcement of group synergies. An improvement in investment returns played a key role in a fundamental restructuring of eBANK’s income structure.

eBANK Profit Improvement

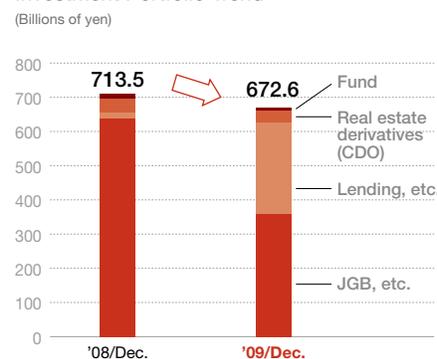


* Basic profit = Income or loss deducted from income (loss) due to changes in market price or sales of investment products. Income or loss from main business of eBANK excludes temporary evaluation gains (losses) such as investment.

Review of Investment Portfolio Dramatically Improves Interest Margin

Appropriate control of investment assets and deposits brought a dramatic improvement in eBANK’s interest margin. Integration with Rakuten Credit’s loan business and a review of investment assets and deposits enabled eBANK to reduce its funding costs to an appropriate level and adopt a more sophisticated investment approach based on a proper balance between risks and returns. Investment assets were reduced primarily through redemptions and sales of Japanese Government Bonds (JGB).

Investment Portfolio Trend



Synergy with Rakuten Brand Strengthened through Name Change

In May 2010, eBANK’s trading name was changed to Rakuten Bank. The purpose of this change was to maximize synergies with other Rakuten Group companies by clearly identifying the bank as a Rakuten company. We will further strengthen group synergies and our ability to offer user-friendly financial services by emphasizing the Rakuten brand and the Rakuten Super Points Program.



The logo of Rakuten Bank.

Review of Operations



Securities Business

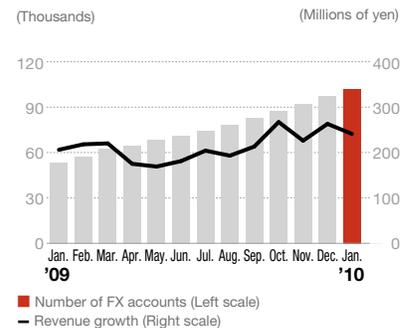
Strengthening Our Product and Service Line-Up

Rakuten Securities handles over 600 mutual funds and has consistently maintained its position as the leading name in the Internet-based securities business. It was the first Internet-based securities firm to offer a mutual fund installment investment service, known as the “Mini-Tsumitate” service, and has continually worked to diversify its income streams by expanding its involvement in foreign stocks and overseas ETFs. Rakuten Securities continues to enhance its exclusive “Market Speed” trading application to create a stress-free and user-friendly investing environment.

Continuing Strong Growth in FX Business

Rakuten Securities also operates the Rakuten FX service. There has been sustained growth in both revenues and the number of accounts since the service was launched in 2008. There are now more than 100 thousand accounts. Rakuten Securities has built FX into a key source of earnings by releasing Market Speed Ver. 8.0 with FX trading functions, and by implementing campaigns and other initiatives.

Rakuten FX Growth Trend



Portal and Media Business

Growth in Rakuten Group's Advertising Sales

We do not simply sell advertising space; our basic strategy is to provide marketing solutions based on added-value advertising generated by the Rakuten Super Database, Japan's biggest, which holds detailed purchasing profiles on Rakuten Group Members. This approach allows us to maximize the accuracy of advertising by carefully targeting products and services to members, leading to improved conversion rates. Improved marketing toward advertisers has also helped to drive a growth trend in our advertising sales.



The top page of Infoseek.

Rakuten Toolbar Functions Enhanced

The new Rakuten Toolbar provides enhanced search functions for Rakuten Ichiba and Rakuten Travel. It also allows users to accumulate Rakuten Super Points based on the number of Internet searches. Users also enjoy free access to a range of useful features, including weather information, maps and train route planning. We will continue these initiatives to provide a user-friendly shopping environment.



Professional Sports Business

Rakuten Golden Eagles Make their First Appearance in the Climax Series



In 2009, the Tohoku Rakuten Golden Eagles, our professional baseball team, made their first appearance in the Climax Series (play-off). This was a major achievement in what was just the fifth season since the formation of the team. They reached the second stage of the competition and ended the season in second place in the Pacific League. Participation in the Climax Series helped boost spectator numbers, and the sales of both tickets and goods were excellent.

Fan Club Membership Exceeds 40,000

Membership of the Rakuten Eagles Fan Club reached over 40,000 in the 2009 season, an increase of 38,200 compared with the number in 2005, when the club was founded. Fan expectations were extremely high from the start of the 2009 season, and the team's entry into the Climax Series created an intense wave of excitement, especially in the Tohoku region of Japan.



Telecommunications Business

My-Line Sign-Up Campaign for IP-Phone Service Intensified

As competition intensifies in the call forwarding market, FUSION COMMUNICATIONS has stepped up its efforts to attract corporate My-Line customers, whose telephones automatically connect to Fusion's 0038 system. The number of customers signed up was substantially above the target level, thanks to the expansion of the sales network and the introduction of increased incentives in April 2007.

Rakuten Mobile for Business Service Launched

In 2009, FUSION COMMUNICATIONS launched the Rakuten Mobile for Business service. This new service is based on the concept of reducing mobile telephone charges to the same level as fixed-line charges. The service, which is limited to corporate customers, is marketed by FUSION COMMUNICATIONS and its agents.



Technology

The Rakuten Group’s technology development is based on a core concept, called “More Than Web.” Under this concept, we are implementing initiatives that use promising technologies to both enrich the lives of Internet users and create possibilities for new services and businesses.

Alongside creating individual businesses, we also established the Rakuten Institute of Technology in 2005 to pursue original research leading to new technologies. Based on our vision of the Internet’s future direction, we established three areas of research within the Rakuten Group: language processing and data analysis, multimedia user interfaces, and large-scale distributed processing. Under these themes, we are researching a range of fundamental technologies aimed at expanding Rakuten’s sphere of business.

Research carried out by the Rakuten Institute of Technology has led to cutting-edge technologies that are being applied not only in innovative services within Rakuten, but throughout the Internet as a whole.



Database Marketing Using Large Data Volumes

Rakuten’s Super Database holds data on products and services for the diverse businesses in the Rakuten Group and information about members’ demographic profiles based on browsing and purchasing histories. When combined with our recommendation engines, this enables advanced data analysis for rapid and accurate recommendations as well as the creation of personalized content.

Also, because the required formats and algorithms for recommendations differ between services, we have constructed the TOHO shared personalization and recommendation platform, which can be customized to match the characteristics of each service within the Rakuten Eco-System. This platform means that each service can use the Super Database and data from other services to provide more accurate recommendations.

ROMA—Technology for Efficient Parallel Processing of Large Data Volumes

ROMA (Rakuten On-Memory Architecture) is distributed key-value data storage software that was developed as e-commerce software. By virtually combining multiple servers into a single data storage system, it is capable of rapidly processing the large and growing volumes of user information and product information used in the Group’s services. The introduction of ROMA has led to improved operational reliability, scalability and maintainability.



Philosophy



From the start, Rakuten has been dedicated to empowering people and society through the Internet. This principle has driven the growth and development of our business, and is reflected in our efforts to invigorate Japan and the world through our activities. Our commitment to social contribution is our most important value and will remain a fundamental and unchanging aspect of our management philosophy.

All Rakuten Group employees, in Japan as well as overseas, adhere to this philosophy and work to realize the ideal of a sustainable society by implementing it in all their activities.



Management Initiatives

Our management policies reflect our determination to contribute to social change and maximize added value for all stakeholders through our core businesses.



Environmental Initiatives

We are working to ensure effective use of limited resources by steadily reducing environmental loads.



Social and Community Contribution Initiatives

We are implementing a variety of activities designed to bring people together and build enriched communities.



Educating the Next Generation

Rakuten has launched a range of initiatives to build an enriched social environment by educating the next generation about the potential of the Internet.



Cultural Activities

As a Japanese company, Rakuten supports activities that contribute to the preservation of Japanese culture. We also work to inform the public about the importance of preserving culture for future generations.



Sporting Activities

Rakuten actively promotes sports as activities that provide excitement and enrich people both physically and mentally.



Details of Rakuten's CSR activities can be found on our website:

<http://corp.rakuten.co.jp/csr/>

(Japanese only)

CSR Activities



The Rakuten Group's social mission is to empower people and society through the Internet, and to transform and enrich society through its own success. Our management policies are designed to maximize added value for all stakeholders, including shareholders.

We are actively implementing initiatives in three priority CSR categories—environmental initiatives, contribution to regional communities and education for future generations—and have also established a special committee, reporting directly to the CEO, to explore ways of further enhancing our CSR activities.

Empowerment through Business

The Rakuten Group aims to contribute to social change and progress by turning its own growth into growth opportunities for as many people as possible, and by harnessing that positive momentum to develop services with high levels of satisfaction for both consumers and business partners.

Through our business activities, we create growth opportunities for merchants and contracted facilities throughout Japan. For example, we work with local governments to support local businesses through Machi-Raku, an e-commerce site established within Rakuten Ichiba to introduce regional products and culture.

Environmental Initiatives

The Rakuten Group stresses the importance of individual employee efforts to reduce environmental loads through sustained initiatives. These include the reduction of paper use, efficient use of elevators, collection of PET bottles, and cleaning projects in local communities.

Employee volunteers work at five eco-stations inside the Kleenex Stadium in Miyagi, the home ground of the Tohoku Rakuten Golden Eagles. Activities include public education about the need to separate waste into different categories. There are also other initiatives across our business operations, including the introduction of eco-friendly packaging for Rakuten Books. The entire Rakuten Group is working to protect the environment through activities such as these.

Contributing to Regional Communities

We are implementing a variety of activities designed to bring people together and build enriched communities. Employee volunteers visit schools throughout Japan to teach children about the potential of the Internet, and about online safety.

We also engage in activities based on cooperation with Rakuten Ichiba merchants, including participation in collaborative industry-academia projects and workplace experience schemes. As part of our efforts to consolidate regional support for the Rakuten Eagles, we actively foster interaction with future fans by arranging workplace visits and school visits at all levels from kindergarten to junior high school.

Corporate Governance

1. Basic Approach to Corporate Governance

The Rakuten Group gives top priority to effective corporate governance. The Group has implemented a range of measures to strengthen its competitiveness and maximize corporate value by maintaining effective internal control and risk management systems, with a view to realizing its goal of becoming the world's leading Internet service company.

Corporate Organization and Internal Control Systems

1. Basic Structure of Corporate Organization

Rakuten, Inc. supervises management by using a Corporate Auditor System. In March 2003, the Company adopted an Executive Officer System to separate the supervisory and executive roles of management. Under that system, functions previously performed by the Board of Directors were separated, with directors retaining responsibility for management decision-making and supervision, while executive functions were transferred to the executive officers.

A business unit system was introduced in 2006 with the dual aims of speeding up executive processes and strengthening the supervisory functions of the Board of Directors and Corporate Auditors. In addition, Rakuten Inc. created a group-wide risk management structure by establishing Functional Teams to manage risk comprehensively across all Rakuten Group businesses.

2. Corporate Organization

(1) Directors, Board of Directors, Executive Officers, etc.

The Board of Directors consists of 16 directors, including four outside directors. Resolutions to appoint directors must be approved by a majority of voting rights at a General Meeting of Shareholders attended by shareholders holding at least one-third of voting rights.

In addition to regular monthly meetings, the Board of Directors holds extraordinary meetings as required. At these meetings, directors make decisions on important management matters and supervise executive officers' activities. To ensure appropriate decision-making by the Board of Directors, medium- and long-term management plans, basic policies and other key strategies are first discussed at Executive Strategic Meetings, which consists mainly of executives at Senior Executive Officer level and above.

Board decisions are delegated to the Executive Officers' Meeting, which consists of Executive Officers. Individual Executive Officers carry out their respective duties in accordance with these decisions. To ensure appropriate and

efficient conduct of business operations, activities in individual segments are supervised by management councils convened within each segment, as well as by Functional Teams responsible for human resources, financial management, accounting, organizational management and other management aspects across the Rakuten Group.

(2) Corporate Auditors and the Board of Auditors

Rakuten, Inc. has four Corporate Auditors, including two full-time auditors. All four are outside auditors.

A three-member Corporate Auditors' Office assists the Corporate Auditors in the performance of their duties. In addition to its regular meetings, the Board of Auditors holds extraordinary meetings as required.

In accordance with audit policies and plans established by the Board of Auditors, the Corporate Auditors attend Board of Directors meetings and other important management meetings, and receive reports about the state of the Company's operations from directors, the Internal Audit Department and other sources. In addition, they conduct on-site inspections of the Company's head office and other important business sites, and check the operations of subsidiaries. In addition, the Corporate Auditors receive audit reports from the independent auditors and peruse financial statements and business reports. They also discuss various matters with the CEO.

3. Internal Control Systems

Basic internal control policies for Rakuten, Inc. are determined by the Board of Directors. The Company has declared its intention to comply with all regulatory requirements, and to apply high ethical standards to its business activities.

The performance of business operations by Directors and employees is subject to regular operational audits by the Internal Audit Department, an independent unit reporting directly to the CEO. The Compliance Committee also helps to ensure that all operations are conducted appropriately by implementing group-wide compliance initiatives.

Compliance training is provided for all directors and employees to enable them to develop the knowledge and ethical perceptions needed to perform their duties. In addition, Rakuten, Inc. is committed to the appropriate management of systems based on the Whistleblower Protection Act.

Directors are closely supervised in the performance of their duties by the outside directors and outside corporate auditors. Attorneys have been appointed to help each of the outside directors and outside auditors verify compliance with the Articles of Incorporation and regulatory requirements from an objective perspective based on expert knowledge.

Rakuten, Inc. is also expanding the Rakuten Group

Regulations as the basis for integrated group management, with the aim of strengthening corporate governance and paving the way for further growth.

4. Internal Audits and Audits by Corporate Auditors

The nine-member Internal Audit Department is an independent unit reporting directly to the CEO. It conducts internal control and compliance audits in accordance with annual internal audit plans to verify the legality, appropriateness and efficiency of operations in each organizational unit. It has also strengthened cooperation with the internal audit units of subsidiaries, and is continually implementing group-level internal audits to ensure that all operations are conducted appropriately.

Internal audit results are reported to the Board of Directors, the CEO, the Compliance Committee and the Executive Officers responsible for the area covered by each audit. The Internal Audit Department also reports its findings to the Board of Auditors and works in cooperation with the Corporate Auditors.

5. Audits by Independent Auditors

Rakuten, Inc. has an auditing agreement with Ernst & Young ShinNihon LLC, which conducts financial audits as required under Japan's Corporate Law and the Financial Instruments and Exchange Law. Audits for fiscal 2009 were conducted by the following chartered public accountants and assistants:

1. Chartered public accountants

Designated limited liability partner	Executive partner	Kazunori Watanabe
Designated limited liability partner	Executive partner	Masaharu Sugiyama
Designated limited liability partner	Executive partner	Kenichi Ishida

* The continuous number of years over which audits have been performed has been omitted, as it is fewer than seven years.

2. Audit assistants

Certified accountants	17	Assistant accountants, etc.	36
-----------------------	----	-----------------------------	----

6. Relationships with Outside Directors and Outside Auditors

One of the outside directors, Mr. Koichi Kusano, is a representative partner in Nishimura & Asahi, a law firm with which Rakuten, Inc. has a business relationship that includes the provision of services, and one of the outside auditors, Mr. Katsuyuki Yamaguchi, is a partner in the same firm.

Another outside director, Mr. Tatsumi Yoda, is the Representative Director and Chairman of GAGA CORPORATION Inc., with which Rakuten, Inc. has a business relationship that

includes the provision of services. Rakuten, Inc. has appointed Mr. Ken Kutaragi, who is an outside director, as a fellow of the Rakuten Institute of Technology under the provisions of a service agreement. There are no other personal, capital or business relationships or significant interests.

Rakuten, Inc. has signed an agreement with each of its outside directors and outside auditors under the provisions of Article 427, Paragraph 1 of the Corporate Law. This agreement is summarized below:

Provided that duties have been carried out in good faith and without gross negligence, the total liability in situations as defined in Article 423, Paragraph 1 of the Corporate Law will be limited to the sum of the amounts stipulated in the following items:

- i. Two times the greater of the sum of fees, bonuses and other payments received or asset benefits received in the year that includes the date on which the event that resulted in the liability occurred, and in the preceding year, or the value of asset benefits to be received (excluding benefits stipulated under Item ii below).
- ii. Two times the smaller of the sum of retirement bonuses or asset benefits that are in the nature of retirement bonuses, or that amount divided by the number of years during which the office of outside director was held.
- iii. The amounts stipulated below if stock options, as defined in Article 238, Paragraph 3 of the Corporate Law, were exercised or transferred after the person was appointed as an outside director.

1. If the options have been exercised

An amount calculated by subtracting the sum of the issue price of the stock options and the paid-in value per share on the exercise date from the market price per share on the exercise date and multiplying the result by the number of shares granted through the exercise of the stock options.

2. If the options have been transferred

An amount calculated by subtracting the issue price of the options from the transfer price and multiplying the result by the number of stock options.

Risk Management Systems

Under the Rakuten Group Regulations, the units responsible for each business area also manage the associated risk factors.

Information management risk is rigorously controlled through group-wide risk minimization measures, including Information Security Management System (ISMS) certification, under the leadership of the Risk Management Department. In addition, emergency reporting systems have been enhanced to ensure that risk information can be gathered promptly.

To ensure appropriate supervision of actions by directors

in relation to business risk, business investments above a certain amount are subject to approval by the Board of Directors. In addition, management councils in each business segment gather risk information and enforce rigorous risk management by requiring thorough reporting of risks that could affect operations.

A group-level risk management structure has also been established. The Group Risk Management Committee, chaired by the CEO, provides integrated monitoring of risk factors that could seriously affect the Rakuten Group.

Remuneration for Directors and Auditors

Fees paid to directors and corporate auditors

	Number of recipients	Amount of fees, etc.
Directors	14	¥690 million
Corporate Auditors	5	¥40 million

Notes

- The above amounts do not include salaries and bonuses paid to directors who are also employees.
- The above amounts include directors' bonuses pertaining to the year ended December 31, 2009.
- The above amounts include ¥25 million in fees, etc., paid to three outside directors, and ¥37 million in fees, etc., paid to four outside auditors.
- In addition to the above amounts, the total cost of new share subscription rights granted as stock options in the year ended December 31, 2009 amounted to ¥72 million for directors (including ¥2 million for outside directors) and ¥2 million for outside corporate auditors.
- In addition to the above, outside auditors received fees of ¥400 thousand as directors of subsidiaries of Rakuten, Inc. in the year ended December 31, 2009.
- The yearly fees for directors and auditors, as determined by resolutions passed at the General Meeting of Shareholders on March 29, 2007, are ¥700 million per year for directors and ¥120 million for corporate auditors. New share subscription rights granted as stock options, as referred to in Note 4, were either approved as separate allocations under resolutions passed at General Meetings of Shareholders, or were issued to directors and corporate auditors, etc., on favorable terms under the provisions of the old Commercial Code before the enforcement of the Corporate Law.

Other Provisions of the Articles of Incorporation

1. Matters Requiring Resolutions of General Meetings of Shareholders that can be Implemented by Resolutions of the Board of Directors

The Articles of Incorporation of Rakuten, Inc. state that, unless otherwise stipulated in laws and regulations, the Board of Directors is authorized to pass resolutions on matters pertaining to the distribution of surpluses and other matters, as stipulated in the items of Article 459, Paragraph 1 of the Corporate Law, without resolutions of General Meetings of Shareholders. The purpose of this provision is to allow the Board of Directors to implement a flexible dividend policy.

2. Items Requiring Special Resolutions of General Meetings of Shareholders

The Articles of Incorporation of Rakuten, Inc. state that matters requiring resolutions of General Meetings of Share-

holders, as stipulated in Article 309, Paragraph 2 of the Corporate Law, require resolutions supported by at least two-thirds of voting rights at General Meetings of Shareholders attended by shareholders holding at least one-third of voting rights. The purpose of this provision is to facilitate the administration of General Meetings of Shareholders by easing the quorum requirements for special resolutions.

2. Audit Fees, etc.

Audit Fees Paid to Chartered Public Accountants, etc.

Item	Fiscal year ended December 31, 2008		Fiscal year ended December 31, 2009	
	Fees paid for audit certification services (millions of yen)	Fees paid for non-audit services (millions of yen)	Fees paid for audit certification services (millions of yen)	Fees paid for non-audit services (millions of yen)
Company submitting financial reports	—	—	149	4
Consolidated subsidiaries	—	—	227	25
Total	—	—	376	30

Other Important Matters Pertaining to Fees

Some consolidated subsidiaries of Rakuten, Inc. are audited by Ernst & Young, which belongs to the same network as Ernst & Young ShinNihon LLC, the company providing certified public accountants and other audit personnel for Rakuten, Inc. Fees paid to Ernst & Young in fiscal 2009 amounted to ¥8 million.

Non-Audit Services Provided to the Company Submitting Financial Reports by Certified Public Accountants and Other Audit Personnel

The non-audit services for which Rakuten, Inc. pays fees to certified public accountants and other audit personnel consist primarily of advisory services relating to the preparation of English financial statements.

Policy on Setting of Audit Fees

The policy of Rakuten, Inc. regarding audit fees paid to certified public accountants and other audit personnel is to pay fees that are appropriate based on relevant factors, including the size of Rakuten, Inc., the characteristics of its business activities, and the number of days required for audits.

Risk Factors

Business Risk and Other Risk Factors

Described below are the main aspects of the business activities and finances of the Rakuten Group (the “Group”) that are considered to be potential risk factors or that may influence decisions by investors. Having identified these risks, the policy of the Group is to take steps to prevent occurrences or to take appropriate action in response to contingencies. This policy notwithstanding, the Group’s position is that decisions to invest in its securities should be preceded by careful examination of relevant information, including information provided elsewhere.

Unless otherwise stated, all forward-looking statements herein are based on judgments by the Group as of the date of filing of the Yuukashouken-Houkokusho on March 27, 2010 to the Finance Services Agency of the Japanese government. They are subject to uncertainty and could differ from actual results.

1. Risks Relating to Business Environment

1-1 Growth Potential of the Internet Industry

The Group is primarily active in the Internet sector. It provides a variety of services under the Rakuten brand via its membership service infrastructure.

Given the expansion of business-to-consumer (B2C) e-commerce and other factors, we anticipate continuing growth trends in both gross transaction value and the number of unique buyers* on the Group websites. However, the Group’s financial performance could be affected if the growth of the Internet sector as a whole decelerates because of external factors, such as regulatory systems that limit Internet use, growing awareness of information security issues, especially in relation to personal information, or because of economic trends, competition from other companies or other factors, or if gross transaction value on the Group’s websites fails to expand as expected.

Revenues from Internet advertising and similar sources make up a substantial share of the Group’s net sales. Since the advertising market is highly likely to be affected by economic trends, the Group’s financial performance could be affected if there is a downturn in business confidence.

In addition, to further raise its gross transaction value, the Group is converting its various service brands to the Rakuten brand. The Group is also integrating its membership IDs by unifying membership databases and developing a common points program. However, changes to brand names and membership IDs could reduce the loyalty of existing members or cause them to withdraw from services. Gross transaction value on the Group websites and the financial performance of the Group could

be affected if these measures fail to produce the anticipated benefits.

* Number of unique buyers: The total number of buyers who purchase items even once on Rakuten Ichiba during a specified period.

1-2 Competition

As the number of internet users increases, many companies are moving into Internet-related businesses across a wide spectrum of product categories and service formats.

In addition to its Internet-related business operations, the Group also faces competition from numerous companies in its other areas of business.

The Group aims to expand its business activities by continuously enhancing its response to customer needs. However, it is possible that these initiatives will fail to yield the anticipated benefits, or that the revenues of the Group will fall because of changes in the competitive environment, such as the emergence of a competitor with revolutionary services backed by powerful system development capabilities. There is also a possibility that the Group will be forced to compete on prices or increase its advertising expenditure. Such situations could have a serious impact on the business activities and performance of the Group.

1-3 Technological changes in the industry

The Rakuten Group is expanding its business in the Internet field, where progress and changes in technology are particularly pronounced and new products and services are introduced with high frequency. It is necessary for the Group to respond swiftly to such changes. Should the Group’s response be slow for some reason, there is a risk that our services could be seen as obsolete and our competitiveness deteriorate. Furthermore, even if we respond appropriately, we may incur increased expenses associated with upgrading existing systems and undertaking new development. These market trends and our responses may therefore have an impact on the business results of the Rakuten Group. In addition, technology may be developed that damages the operation of the Rakuten Group. If this technology becomes widespread, it may also have an impact on the business activities and performance of the Group.

2. Risks Relating to International Business Expansion

Global expansion is one of the Group’s key strategies, and we are dynamically extending our existing business model into other countries. For example, marketplace-type Internet shopping malls similar to Rakuten Ichiba have

already been opened and operating successfully in Taiwan and Thailand. In addition, a joint venture has been established in China, and we are now preparing for the start of business operations in that country. We are currently studying a variety of initiatives relating to the establishment of overseas business and R&D sites, including sites in emerging countries. The Group has also introduced cross-border services that allow users in Japan or overseas to purchase products from Japan or other countries.

However, an involvement in global business activities entails a variety of potential risks, including differences in languages, geographical factors, legal and taxation systems, economic and political instability, and differing commercial practices. The business activities and performance of the Group could be affected if these risks are not handled properly.

In particular, the Group is likely to incur additional costs when setting up corporations and businesses in other countries, including recruitment costs and development costs relating to system localization. Profit will temporarily come under pressure from these additional costs, and it will take time before new operations start to generate stable sales. Delays in global business development resulting from changes in local conditions or other factors could have adverse effects on the business performance of the Group, including difficulties in the collection of the capital invested. Overseas sales, costs, assets and liabilities will also be exposed to the effects of currency exchange rate fluctuations.

3. Risks Relating to Business Expansion and Development

3-1 M&A

The Group actively engages in merger and acquisition (M&A) activities and the establishment of joint ventures, both in Japan and overseas. Our aim is to move into new business areas and overseas markets, gain new users, expand our existing activities and acquire related technologies. These activities are regarded as an important management priority.

When acquiring a company, the Group seeks to avoid risk as much as possible by conducting detailed due diligence concerning the financial position, contractual relationships and other aspects of the potential acquisition. However, it is not always possible to carry out due diligence exhaustively because of the circumstances surrounding individual acquisitions, and it is possible that contingent or unrecognized liabilities will come to light after an acquisition. Furthermore, it is impossible to predict reliably how

the characteristics of a newly created business will affect the business operations and performance of the Group. It may also become impossible to develop the new business as anticipated because of changes in the business environment or other factors. In such cases, the business performance of the Group may be adversely affected, and it may be impossible to recover the investment.

It is also possible that the information systems and internal control systems of an acquired company cannot be integrated successfully, or that executives, employees and customers of an acquired company will be lost after the acquisition. In addition, because future investment and lending could be substantial compared with the current scale of business operations, there is the possibility of increased risk affecting the financial position and other factors across the entire Group.

When the Group launches a new business in an area in which it has not previously been involved, it becomes exposed to risk factors specific to that activity. It is possible that the Group will be affected by risk factors not listed in this section as a result of acquisitions and other actions.

3-2 Goodwill

The Group amortizes goodwill over the period in which such action is deemed effective. Companies that have a close relevance to the activities of the Group, such as Rakuten KC Co., Ltd., LinkShare Corporation and eBANK Corporation, have been acquired on the basis of long-term assessments of corporate value. Goodwill for those companies is therefore amortized on the basis of reasonable estimates over a period of 20 years, which is the longest period stipulated in the accounting standards for business combinations. Goodwill amortization is included in selling, general and administrative expenses. The balance of goodwill (consolidation adjustment accounts) showing in the consolidated balance sheets as of December 31, 2009 was ¥86,417 million.

Amortization expenses could increase if new goodwill is generated in the future. Furthermore, the business performance and financial position of the Group could be adversely affected by an impairment of goodwill if a situation arises in which the goodwill from a company is likely to be deteriorated over a shorter period than was estimated at the time of acquisition, because of a worsening in the company's business performance or other factors.

3-3 Capital and business alliances and associated collaboration

Capital alliance with bitWallet, Inc.

For the purpose of gaining full entry into the e-money business and expanding our field of operations to provide settlement services that integrate online and offline businesses, Rakuten concluded a master agreement concerning a capital alliance with bitWallet, Inc. on November 11, 2009 and subscribed to a third-party allotment of new shares issued by bitWallet on January 21, 2010. Through this subscription, we acquired 576,037 shares in bitWallet (acquisition cost: ¥3,000 million, voting rights: 52.8%) and made bitWallet a consolidated subsidiary.

We will leverage the Rakuten Group's customer base and marketing know-how with the intent of enhancing Edy business operated by bitWallet, by acquiring users and promoting its use on the Internet. We are proceeding with this merger to enhance the synergy between bitWallet and the Rakuten Group businesses. If the business merger with bitWallet does not proceed smoothly or if problems arise in business operations with bitWallet, the business performance and financial condition of the Rakuten Group may be materially affected.

4. Business Risks

4-1 Marketplace Business

Marketplace services such as Rakuten Ichiba and Rakuten Auction, and accommodation booking services such as Rakuten Travel, basically provide venues for trading, and the Group is not party to trading contracts. The rules for these marketplaces stipulate that the Group will incur no liability in the event of disputes between sellers or service providers and purchasers, and that disputes must be settled between the parties. However, if users of our marketplace services engage in activities that defame other parties or infringe their rights, including intellectual property rights and privacy rights, or if they engage in illegal activities, such as fraud, the resulting liabilities could affect not only the parties responsible for the actions that caused the problems, but also the Group as venue provider. There could also be damage to the brand image of the Group.

Furthermore, vendors and service providers participating in our marketplace business can easily move to alternatives, such as other marketplaces or their own sites. It is possible that unless Rakuten continues to provide highly convenient and reliable services, the Group's financial performance will be affected by a decline in the number of vendors and service providers.

4-2 Direct Selling Business

The Group has service categories that involve direct selling of goods and services to general consumers, such as Rakuten Books and Rakuten Rental. In these categories, the Group is a party to sales contracts, etc., and is therefore liable for the quality and content of goods and services. When selling goods or providing services, the Group takes all possible steps to ensure compliance with relevant laws and regulations. However, if a defective product is sold or a defective service is provided, the Group could become subject to actions by supervisory agencies. The Group could also incur costs resulting from product recalls, liability for damages or other consequences. There could also be reputational damage leading to a decline in sales. The financial performance of the Group could be affected in such situations.

4-3 Financial Business

① Regulatory Requirements

Rakuten KC Co., Ltd., eBANK Corporation, Rakuten Securities, Inc. and other subsidiaries are involved in the finance-related businesses. The activities of these companies are subject to the provisions of the Law Concerning the Regulation of Receiving of Capital Subscription, Deposits and Interest on Deposits (hereinafter referred to as the "Capital Subscription Law"), the Banking Law, the Interest Rate Restriction Law, the Money-Lending Control Law, the Installment Sales Law, the Financial Instruments and Exchange Law, the Trust Business Law and other laws and regulations and regulatory requirements relating to financing activities, as well as the guidelines of supervisory agencies, and the rules imposed by autonomous regulatory bodies, such as stock exchanges and industry organizations.

If any of the above subsidiaries becomes subject to a suspension of business, license revocation or other actions for any reason, if new regulatory requirements, supervisory agency policies, regulations or supervisory guidelines are established, or if there are any changes that would adversely affect their business activities, the business operations and financial performance of the Group could be seriously affected.

Under the Money-Lending Control Law, which will come into effect fully in June 2010, lenders will be required to use information about consumers' annual incomes and data from credit agencies to limit the total amount of credit provided to no more than one-third of the borrower's annual income. This will require changes to systems and operating methods. It will also be necessary to restrict new lending. In addition, lenders will be obliged to tighten their

credit management under the provisions of the amended Installment Sales Law, which have not yet taken effect. All of these factors could affect earnings.

Furthermore, Rakuten KC Co., Ltd. has loan contracts dating before December 31, 2007 that stipulate interest rates in excess of the maximum rates stipulated in the Interest Rate Restriction Law. It has provided an allowance for losses on interest repayments, the amount of which reflects estimated future claims for interest refunds based on historical interest repayment claims (loan transition ratio, average claim). It has also provided an allowance for the estimated amount of principal receivables that may be non-recoverable because of interest refund claims. If there is an increase in the factors used to calculate these allowances, such as the average amount of claims, the financial performance of the business concerned could be affected by the need to make an additional provision.

② The Business Environment

Rakuten KC Co., Ltd. deals mainly with individual customers and procures operating funds primarily in the form of loans from financial institutions. The financial performance of the Group could be affected if deteriorating economic conditions cause a slump in consumer spending and demand for credit, or if rising unemployment leads to an increase in personal bankruptcies or the number of heavily-indebted creditors, or if there is deterioration in the state of financial markets or the credit situation of the Group. If serious problems arise, affecting the Group's ability to maintain and operate the credit control systems used to reduce the risk of uncollectable receivables, or its ability to recruit personnel with loan collection expertise, the sustainability and future development of the business may be jeopardized.

Securities make up a substantial portion of the operating assets used by eBANK Corporation and have a significant effect on its operating revenue. Those operating assets consist of various financial products, including bonds, shares, funds, and securitization and liquidation products. Returns on investments in financial products are significantly affected by factors that include interest rates, foreign exchange rates, market fluctuations and debtor credit risk. There is no guarantee that this business will not be affected by losses on these investments, and it is possible that the financial performance of the Group will be affected. Credit costs relating to loan receivables, including allowances for doubtful receivables or guarantee charges, could increase if economic conditions deteriorate or if there are changes to accounting standards, changes in the credit

situation of guarantee companies, or changes in guarantee performance conditions. Such situations could affect the financial performance of the Group.

Rakuten Securities, Inc. implements various types of transactions, including margin transactions, foreign exchange margin transactions, futures options transactions and CFD transactions. Its main source of revenues is brokerage commissions, which are affected by conditions in securities markets and other aspects of the price environment. The financial performance of the Group may be affected under certain circumstances, such as if securities markets stagnate under the impact of economic conditions, trends in overseas markets, political developments, regulatory changes, or changes in investor sentiment, or if money lent to clients for margin transactions cannot be recovered because of a decline in margin balances resulting from sudden stock price fluctuations, interest rate increases or other factors.

③ Liquidity

eBANK Corporation operates an Internet banking business. Since customers are able to make withdrawals from ordinary deposit accounts, close time deposits and transfer or remit funds to other financial institutions via the Internet, unforeseeable circumstances, such as the spread of rumors that impact on the reputation of this subsidiary or the Group, could cause deposit outflows to occur more rapidly than would be the case in a conventional bank. The business could become unsustainable if the outflow significantly exceeds the anticipated level.

4-4 Third-Party Outsourcing and Alliances

① Outsourcing and Alliances with Financial Institutions

eBANK Corporation does not have a current deposit account with the Bank of Japan, and it does not have its own ATM network. For this reason, it commissions inter-bank settlements to the NISHI-NIPPON CITYBANK, LTD. and has concluded ATM utilization agreements with Seven Bank, Ltd., Japan Post Bank Co., Ltd. and AEON BANK, LTD. The business operations and performance of the eBANK Group would be seriously affected if its relationships with these banks deteriorate, or if it becomes unable to use these services and systems.

② Alliances with Travel-Related Businesses

In the Travel Business, our policy is to improve the overall quality of our travel-related services and develop the business through cooperation with travel-related businesses, such as airlines and railroad companies.

Business operations and financial performance in this segment could be affected if relationships with these partners deteriorate, or if negotiations with prospective new partners are unsuccessful.

③ Interconnection Agreements with Telecommunications Providers

To ensure the efficient provision of telecommunications services, Fusion Communications Corporation has concluded interconnection agreements providing for reciprocal connections between its telecommunications facilities and those of other telecommunications providers. Telecommunications carriers that own telecommunications facilities are, in principle, required to allow other providers to connect to those facilities. The business operations, financial performance and financial position of the Group could be affected if changes to this situation, such as the abolition or relaxation of this requirement, result in increased usage charges for Fusion Communications, or if the conditions are amended in ways disadvantageous for it.

④ Supply of Goods, Content and Technology

The Group relies on outside suppliers or licensing arrangements for the supply of goods for its direct selling business, for certain types of content or technology used on its websites, such as search engines, news and other services. If the supply is interrupted and Rakuten becomes unable to access quality content and technology efficiently, if prices increase, or if licenses are terminated because of deteriorating relationships with suppliers, bankruptcies, demand growth, changing economic conditions, contract changes or other factors, Rakuten's ability to provide services could be compromised, and the financial performance of the Group could be affected.

5. Compliance Risk

5-1 Possibility of Imposition of Regulatory Restrictions

In addition to the items listed under Section 4-3① ("Regulatory Requirements"), the Group is subject to the provisions of various other laws and regulations, including the Act Concerning the Prohibition of Unauthorized Computer Access; the Act on the Limitation of Liability for Damages of Specified Telecommunications Service Providers and the Right to Demand Disclosure of Identification Information of the Senders; the Act on Specified Commercial Transactions; the Act on Regulation of Transmission of Specified Electronic Mail; the Consumer Contract Act; the Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors; the Secondhand Articles Dealer Act; the Travel Agency Act;

the Telecommunications Business Act; the Employment Security Act; and the Act Concerning the Creation of Conditions, etc., for the Safe and Secure Use of the Internet by Young People, as well as policies and guidelines established by regulatory agencies. The e-money and settlement services provided by the Group could also be subject to new restrictions under the Act Concerning Financial Settlements, which took effect in April 2010.

If the Group's business activities become subject to new restrictions due to the establishment and amendment of laws and regulations, the cancellation of approvals and permits by regulatory agencies, or the formulation of new guidelines and voluntary rules, or for other reasons, there could be implications for the Group's financial performance and financial position.

If the scale of the Group's service provision and business activities expands, it is possible that issues will be raised under the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade concerning measures implemented by the Group to provide a healthy business environment for merchants, service providers and other partners, or the content of agreements on which those measures are based. If this happens, new restrictions could be imposed on the Group's business activities. This could affect the Group's business activities, financial performance and financial position.

5-2 Possibility of Litigation

The Group could be exposed to litigation or other claims if merchants, purchasers, participants or other users engage in illegal activities or involved in disputes, if users violate the rights of third parties through illegal actions or the distribution of harmful information, or if losses are incurred by merchants, purchasers, participants or other users as a result of system failures or other situations. Furthermore, the Internet itself is still a relatively new phenomenon, and there is the possibility of unforeseeable litigation or other actions resulting from new contingencies or business risks that have not yet become apparent.

If the Group's rights are infringed or damaged in some way by third parties, or if Rakuten is not protected from the infringement of its rights by third parties, it is possible that substantial costs will be incurred due to litigation or other actions to protect those rights. Depending on the nature of such litigation and other actions and the amounts sought, such situations could impact on the business activities, performance and financial performance of the Group.

6. Risks Pertaining to Intangible Assets

6-1 Group Branding

Since its establishment, the Group has worked to invest substantial management resources in business development and advertising with the aim of building the Rakuten brand. While the Group believes that it has achieved a certain level of brand recognition among consumers, there is no guarantee that future initiatives will yield the anticipated benefits, and it is possible that these efforts will not result in revenues for the Group. If there are problems relating to business development, confidence in the Rakuten brand could be eroded, with possible implications for the Group's business performance, financial position and share price.

6-2 Intellectual Property

The Group endeavors to protect intellectual property, including patents, trademarks, copyrights and domain names, and licenses granted to it. However, the business activities, performance and financial position of the Group could be affected if it is unable to protect its intellectual property from infringement by third parties, or if substantial costs are incurred in order to protect intellectual property. Costs or losses could also be incurred if it becomes necessary to defend against or settle claims of intellectual property infringements in relation to technology, content and other items used by the Group. Such situations could also result in the restriction of the Group's ability to provide specific content or services or use specific technologies. The business activities, performance and financial position of the Group could be affected in such cases.

7. Market Risks

The Group holds substantial amounts of financial products, including marketable securities and money trusts, as operating assets. The financial position and financial performance of the Group could be affected if interest rate movements or fluctuations in markets for financial products cause impairment of or valuation losses on these assets.

8. Risks Relating to Financing

As noted above, the Group conducts its Credit Card business and Securities business through subsidiaries. The main methods used to raise funds for these activities are loans from financial institutions and bonds. As of December 31, 2009, the balance of consolidated interest-bearing borrowings from financial institutions outside of the Group was ¥355,869 million. This total consists of long-term and short-term borrowings, corporate bonds, commercial paper,

borrowings on securities margin transactions, and lease debt. Because of this debt, the business performance of the Group is exposed to the effects of changes in financial markets, and it is possible that this situation could have an adverse effect on the financial position of the Group and its ability to raise funds. Loan contracts and commitment lines are in some cases subject to covenants and collateral clauses, and any deterioration in the business performance, financial position or credit rating of the Group could result in demands for full repayment of existing debt or the provision of new collaterals under these clauses, or increases in interest rates or commission rates.

Since there is no guarantee that the Group will be able to raise funds on favorable terms in the future, this situation could have a limiting effect on the development of the Group's business operations.

9. Risks Relating to Deferred Tax Assets

Rakuten, Inc. and some of its consolidated subsidiaries are currently treating future tax reduction factors as deferred tax assets, in accordance with Japanese accounting standards. The computation of deferred tax assets is based on various projections and assumptions, including estimates of future taxable income based on business forecasts. It is possible that actual results will differ from these projections and assumptions. If estimates of future taxable income indicate that Rakuten, Inc. or its subsidiaries will be unable to recover part or all of their deferred tax assets, the financial position and financial performance of the Group would be affected by the consequent reduction in the value of said deferred tax assets.

10. Risks Pertaining to Financial Reporting

Internal control reporting requirements under the Financial Instruments and Exchange Act came into effect in the current fiscal year. The Group accordingly strengthened its internal control systems in relation to financial reporting. However, the public reputation of the Group could be damaged if serious errors are discovered.

11. Human Resource Management Risks

11-1 Dependence on the Chairman and CEO

Hiroshi Mikitani, the Chairman and CEO of Rakuten, Inc., is the driving force behind the Group. Mr. Mikitani has been the CEO and a major shareholder of Rakuten, Inc. since its establishment and continues to determine management policies and strategies as well as playing a central role in business operations, including marketing, technology and financial management. Hiroshi Mikitani could therefore be considered

to have a substantial influence over final decisions that affect the business operations of the Group, including the appointment of officers.

The Group is making organizational changes with the aim of building a management structure that is not excessively dependent on Mr. Mikitani, including the adoption of a business unit (BU) system, and the restructuring of human resource management systems. However, the business performance and financial position of the Group could be seriously affected if Mr. Mikitani were to resign or become incapable of performing his duties at the present time.

11-2 Human Resources

In addition to engineers capable of building and maintaining computer systems, the business operations of the Group also require human resources with specialized skills relating to individual business segments. As the Group expands its activities and develops its business internationally, there is likely to be a continuing need for the recruitment of personnel. The Group is not aware of any serious obstacles to recruitment at the present time.

However, the business activities, performance and financial position of the Group could be adversely affected if it becomes difficult to secure skilled staff in the future because of escalating competition for human resources in specific fields or regions, or if there is an exodus of existing staff.

12. Information Security Risks

As an organization that handles personal information, the Group is subject to the provisions of the Act on the Protection of Personal Information. Currently, users of Rakuten Ichiba and the main services provided by the Group are required to complete membership registration. This process involves the collection of information that can be used to identify users, including names, addresses, telephone numbers and credit card numbers.

The Group takes all possible care to protect privacy and personal information through proper information management. It complies with laws and regulations covering each type of service business and follows guidelines established by government agencies, industry groups and other organizations. In April 2007, the Group gained certification for its main business activities under ISO/IEC 27001, which is the international standard for information security. However, the possibility of further information leaks or abuse in the future cannot be ruled out, and it is possible that such incidents will result in legal disputes or damage to the

Group's reputation. Such situations could impact on the business activities and performance of the Group.

13. Risks Pertaining to Telecommunication Networks and Systems

The Group's business activities rely heavily on the use of telecommunications networks to link computer systems. Some aspects of vital network-related operations, including connection to the Internet and the management of data servers, are outsourced. The servers of the Group or providers could become inoperable, preventing normal trading activities or causing systems breakdowns, if the telecommunication networks of outside contractors are affected by faults caused by natural disasters, accidents or temporary overloads resulting from access increases, or if defects or other problems affect the hardware or software of the Group, merchants, purchasers, participants or other users.

There is also a possibility that pages belonging to the Group or merchants will be altered, that pages will cease to function properly, or that important data will be lost or obtained illegally as a result of criminal activities, such as computer viruses or external access to computer resources using illegal methods, or because of errors by employees and executives.

If trading is suspended as a result of a server failure or defects, the business activities and performance of the Group could be affected by loss of income opportunities, by a decline in confidence in the Group's systems, by compensation claims, or by actions by regulatory agencies.

Rakuten Securities, Inc. experienced system failures in November 2008 and January 2009. On March 24, 2009, the Financial Services Agency issued a temporary suspension order preventing Rakuten Securities from undertaking any new business expansion involving the development of systems (except with the specific approval of the Finance Services Agency) and issued a directive requiring the company to improve its operations on the grounds that its response to the faults had been inadequate. Rakuten Securities has since improved and strengthened its hardware and moved to develop structures to support reliable operation of its system. However, if the company is affected in the future by major or frequent system failures, the reputation of the company and the entire Group could be adversely affected, leading to a loss of customers and other consequences. In such cases, the financial performance of Rakuten Securities and the entire Group could be affected, and additional administrative actions could be implemented by the Financial Services Agency.

14. Risks Pertaining to Natural Disasters, Conflicts and Accidents

Natural disasters such as earthquakes, typhoons, floods and tsunamis, fires, power outages, unknown computer viruses, infections caused by previously unknown diseases such as new influenza strains, terrorist attacks, international conflict and other contingencies could have a serious impact on the business operations of the Group. Since the business premises of the Group are concentrated in the greater Tokyo area, a natural disaster or other event in that area could temporarily disrupt services. In addition to degrading the Group's reliability and damaging its brand image, such situations could also impact on business performance.

Within the Group, the Risk Management Department of Rakuten, Inc. has worked to prepare emergency response measures in advance, including the formulation of business continuity plans. However, there is no guarantee that these measures will be sufficient to mitigate all of the effects of natural disasters or other events, and the continuity of business operations may be jeopardized if there are serious losses to physical and human resources.

Our Year

Financial Section and Corporate Data

Contents

37	Results of Operations and Financial Condition
38	Consolidated Balance Sheets
40	Consolidated Statements of Income
41	Consolidated Statements of Changes in Net Assets
42	Consolidated Statements of Cash Flows
44	Consolidated Subsidiaries and Affiliated Companies
46	Corporate Information

Results of Operations and Financial Condition

For the fiscal year ended December 31, 2009

Business Performance

Despite recessionary conditions in Japan overall, Rakuten continued to perform strongly in fiscal 2009, seeing growth in the gross transaction volume of Rakuten Ichiba and Rakuten Books, and in the gross booking transaction volume of Rakuten Travel. Performance also benefited from the inclusion of eBANK Corporation (“eBANK”) into the consolidation in the first quarter. Net sales increased by 19.4% year on year to ¥298,252 million.

Operating income increased by 20.1% year on year to a record ¥56,649 million. Contributing factors included cost structure improvements under a strengthened management and administration system.

There was an income tax adjustment of ¥18,059 million, mainly from deferred tax assets recorded in connection with a valuation loss on investment securities in the previous year, following our request for buy-back of shareholdings in Tokyo Broadcasting System, Inc. (now Tokyo Broadcasting System Holdings, Inc.) on March 31, 2009. As a result, net income reached ¥53,564 million, compared with a ¥54,978 million operating loss in the previous year.

Assets and Liabilities

Assets

Total assets as of December 31, 2009 amounted to ¥1,759,237 million, up from ¥1,086,939 million at the end of fiscal 2008. The growth resulted mainly from the inclusion of eBANK, an increase in cash and deposits, and the addition of assets including securities worth ¥524,379 million.

Liabilities

Total liabilities rose by ¥612,407 million to ¥1,540,617 million as of December 31, 2009. This resulted mainly from the inclusion of eBANK, and the addition of deposits and other liabilities relating to the Banking Business to the Group’s liabilities. Total short-term and long-term loans payable fell by ¥163,332 million due to repayments, mostly made by Rakuten Credit, Inc. in preparation for its merger with eBANK.

Net Assets

Total net assets amounted to ¥218,620 million as of December 31, 2009, up from ¥158,727 million at the end of fiscal 2008. Shareholders’ equity increased by ¥52,403 million due to net income reaching ¥53,564 million.

Cash Flows

There were substantial cash inflows, primarily due to the EC Business’ strong performance.

There were also inflows and outflows resulting from initiatives to reduce funding costs and improve investment performance from a risk-return perspective in connection with integrating the personal loan operations of Rakuten Credit, Inc. into eBANK. On the funding side, this resulted in a decline in deposits from customers, especially matured time deposits, while on the investment side holdings of negotiable securities were reduced through redemptions and sales, especially of Japanese government bonds. These were the main reasons for the cash outflow from operating activities and the cash inflow from investment activities. The principal cash outflow from financing activities consisted of the full repayment of the debt of Rakuten Credit, Inc. when its personal loan operations were integrated into eBANK.

These fluctuations in the cash flow position of eBANK and improvements in cash-use efficiency brought a ¥12,252 million reduction in cash and cash equivalents from operating, investment and financing activities in fiscal 2009.

However, the addition of eBANK and other new subsidiaries to the consolidation added ¥34,751 million to cash and cash equivalents. This and other factors caused cash and cash equivalents to increase by ¥22,335 million to ¥103,618 million as of December 31, 2009.

Operating Activities

Net cash used for operating activities amounted to ¥55,219 million, compared with a net outflow of ¥13,467 million in the previous year. Cash inflows, including ¥52,529 million from net income before provision for income taxes and minority interests, were offset by the aforementioned outflows from finance-related businesses, including a ¥73,047 million reduction in deposits held by the Banking Business.

Investment Activities

A cash inflow of ¥723,626 million from sales and redemptions of negotiable securities outweighed a cash outflow of ¥526,820 million resulting from the acquisition of negotiable securities by eBANK. As a result, net cash provided by investment activities amounted to ¥217,160 million, compared with a net outflow of ¥40,977 million in the previous year.

Financing Activities

Net cash used for financing activities amounted to ¥174,157 million, compared with a net inflow of ¥62,397 million in the previous year. This reflects the full repayment of the debt of Rakuten Credit, Inc., and reduction of the debts of Rakuten, Inc. and Rakuten KC Co., Ltd.

Consolidated Balance Sheets

Rakuten, Inc. and Consolidated Subsidiaries
December 31, 2009 and 2008

ASSETS	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
CURRENT ASSETS:			
Cash and deposits	¥ 88,588	¥ 96,233	\$ 1,044,878
Notes and accounts receivable - trade	32,241	37,842	410,885
Accounts receivable - installment	93,631	93,111	1,010,980
Accounts receivable - installment sales - credit guarantee	3,551	2,834	30,767
Beneficial interests in securitized assets	101,572	41,774	453,574
Cash segregated as deposits for securities business	214,892	223,909	2,431,148
Margin transactions assets for securities business	81,154	119,060	1,292,729
Operating loans	188,696	177,806	1,930,579
Short-term investment securities	2,629	18,014	195,597
Securities for banking business	—	524,379	5,693,588
Loans for banking business	—	92,877	1,008,434
Deferred tax assets	12,829	13,680	148,536
Other	66,557	114,682	1,245,195
Allowance for doubtful accounts	(36,073)	(42,078)	(456,877)
Total current assets	850,267	1,514,125	16,440,012
NONCURRENT ASSETS:			
Property, plant and equipment	21,115	19,525	211,994
Intangible assets			
Goodwill	65,083	87,047	945,139
Others	28,230	33,481	363,530
Total intangible assets	93,313	120,528	1,308,669
INVESTMENTS AND OTHER ASSETS:			
Investment securities	82,846	59,314	644,019
Deferred tax assets	15,510	26,136	283,773
Other	29,294	23,990	260,478
Allowance for doubtful accounts	(5,408)	(4,381)	(47,568)
Investments assets and other assets	122,243	105,059	1,140,703
Total noncurrent assets	236,671	245,112	2,661,365
TOTAL ASSETS	¥ 1,086,938	¥ 1,759,237	\$19,101,377

The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at ¥ 92.10 to \$1, the rate of exchange prevailing at December 31, 2009.

LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
CURRENT LIABILITIES:			
Short-term debts	¥ 156,150	¥ 83,090	\$ 902,171
Current portion of long-term debts	134,156	89,810	975,132
Notes and accounts payable - trade	20,210	28,232	306,534
Deposits for banking business	—	698,354	7,582,561
Accounts payable - credit guarantee	3,551	2,834	30,767
Income taxes payable	10,697	12,565	136,426
Deposits received for securities business	142,609	142,600	1,548,315
Margin transactions liabilities for securities business	53,539	59,016	640,779
Guarantee deposits received for securities business	88,749	89,122	967,666
Collateralized guarantee borrowings for securities business	4,607	—	—
Provision	13,452	12,318	133,741
Other	75,135	149,106	1,618,952
Total current liabilities	702,855	1,367,044	14,843,043
NONCURRENT LIABILITIES:			
Long-term debts	197,081	158,067	1,716,253
Provision for loss on interest repayments	15,365	10,275	111,564
Deferred tax liabilities	8,266	460	4,998
Other provision	375	357	3,875
Other	1,051	1,674	18,177
Total noncurrent liabilities	222,138	170,833	1,854,866
RESERVES UNDER THE SPECIAL LAWS:			
Reserve for financial instrument transaction liabilities	3,206	2,728	29,624
Reserve for commodities transaction liabilities	11	11	122
Reserves under the special laws	3,217	2,740	29,746
TOTAL LIABILITIES	928,210	1,540,617	16,727,655
NET ASSETS :			
SHAREHOLDERS' EQUITY:			
Capital stock-authorized, 39,418,000 shares; issued, 13,096,980 shares in 2009 and 13,087,064 shares in 2008	107,535	107,606	1,168,357
Capital surplus	119,565	115,899	1,258,408
Retained earnings	(76,409)	(20,411)	(221,615)
Treasury stock - at cost, 979.50 shares in 2009 and 979.50 shares in 2008	(11)	(11)	(120)
Total shareholders' equity	150,681	203,083	2,205,030
VALUATION AND TRANSLATION ADJUSTMENTS:			
Valuation difference on available-for-sale securities	656	1,842	19,995
Deferred gains or losses on hedges	(336)	(305)	(3,316)
Foreign currency translation adjustments	(1,298)	(1,275)	(13,843)
Total valuation and translation adjustments	(978)	261	2,836
SUBSCRIPTION RIGHTS TO SHARES	243	609	6,610
MINORITY INTERESTS	8,781	14,666	159,245
TOTAL NET ASSETS	158,727	218,620	2,373,721
TOTAL LIABILITIES AND NET ASSETS	¥ 1,086,938	¥ 1,759,237	\$19,101,377

Consolidated Statements of Income

Rakuten, Inc. and Consolidated Subsidiaries
Years Ended December 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
NET SALES	¥ 249,883	¥ 298,252	\$ 3,241,518
COST OF SALES	55,347	70,039	761,214
Gross profit	194,537	228,213	2,480,304
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	147,385	171,564	1,864,621
Operating income	47,151	56,649	615,683
OTHER INCOME (EXPENSES):			
Interest income	171	183	1,991
Dividend income	867	185	2,015
Foreign exchange gain (loss)	(68)	15	166
Equity in earnings (losses) of affiliates	(116)	527	5,731
Interest expenses	(2,224)	(2,216)	(24,080)
Commission fee	(1,244)	(645)	(7,012)
Gain on receipt of investment securities	267	—	—
Gain on change in equity	31	4,034	43,846
Reversal of provision for loss on business liquidation	185	352	3,823
Reversal of reserve for financial instruments transaction liabilities	714	478	5,197
Loss on sales of noncurrent assets	(145)	—	—
Loss on retirement of noncurrent assets	(1,855)	(1,087)	(11,810)
Office transfer expenses	(691)	—	—
Provision for loss on business liquidation	(4,481)	—	—
Loss on valuation of investment securities	(67,177)	(1,773)	(19,273)
Restructuring loss	—	(696)	(7,561)
Impairment loss	(5,418)	(2,125)	(23,098)
Other - net	(1,791)	(1,353)	(14,705)
Other expenses - net	(82,141)	(4,119)	(44,771)
INCOME (LOSS) BEFORE INCOME TAXES AND MINORITY INTERESTS	(34,989)	52,530	570,913
INCOME TAXES			
Income taxes - current	15,695	17,452	189,672
Income taxes - deferred	4,911	(18,059)	(196,270)
Income taxes	20,606	(607)	(6,598)
MINORITY INTEREST IN LOSS	(618)	(428)	(4,645)
NET INCOME (LOSS)	¥ (54,978)	¥ 53,564	\$ 582,155

The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at ¥ 92.10 to \$1, the rate of exchange prevailing at December 31, 2009.

Consolidated Statements of Changes in Net Assets

Rakuten, Inc. and Consolidated Subsidiaries
Years Ended December 31, 2009

	Millions of yen									
	As of Dec. 31, 2008	Changes in fiscal 2009							As of Dec.31, 2009	
		Issuance of capital stock	Dividends from surplus- other capital surplus	Deficit disposition	Net income	Changes in the scope of consolidation	Disposal of treasury stock	Net changes in items other than those in shareholders' equity	Total of changes in fiscal 2009	
Capital stock	¥107,535	¥ 71	—	—	—	—	—	—	¥ 71	¥107,606
Capital surplus	119,565	71	¥(1,309)	¥(2,428)	—	—	¥ 0	—	(3,666)	115,899
Retained earnings	(76,409)	—	—	2,428	¥53,564	¥ 5	—	—	55,998	(20,411)
Treasury stock	(11)	—	—	—	—	—	0	—	0	(11)
Shareholders' equity	150,681	142	(1,309)	—	53,564	5	0	—	52,403	203,083
Valuation difference on available-for-sale securities	656	—	—	—	—	—	—	¥1,186	1,186	1,842
Deferred gains or losses on hedges	(336)	—	—	—	—	—	—	30	30	(305)
Foreign currency translation adjustments	(1,298)	—	—	—	—	—	—	23	23	(1,275)
Valuation and translation adjustments	(978)	—	—	—	—	—	—	1,239	1,239	261
Subscription rights to shares	243	—	—	—	—	—	—	366	366	609
Minority interests	8,781	—	—	—	—	—	—	5,885	5,885	14,666
Net assets	¥158,727	¥142	¥(1,309)	—	¥53,564	¥ 5	¥ 0	¥7,490	¥59,892	¥218,620
Net assets, Dec. 31, 2009 thousands of U.S. dollars	\$1,723,424	\$1,540	\$(14,209)	—	\$581,586	\$58	\$0	\$81,322	\$650,298	\$2,373,721

The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at ¥ 92.10 to \$1, the rate of exchange prevailing at December 31, 2009.

Our
Group

Our
Strategies

Our
Activities

Our
Year

Consolidated Statements of Cash Flows

Rakuten, Inc. and Consolidated Subsidiaries
Years Ended December 31, 2009 and 2008

	Millions of yen		Thousands of
	2008	2009	U.S. dollars
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES:			2009
Income (loss) before income taxes and minority interests	¥ (34,989)	¥ 52,530	\$ 570,355
Depreciation and amortization	12,284	14,361	155,929
Amortization of goodwill	3,931	5,524	59,976
Decrease in allowance for doubtful accounts	(8,125)	(6,919)	(75,120)
Decrease in provision for loss on interest repayments	(4,710)	(5,090)	(55,264)
Gain on change in equity	(31)	(4,034)	(43,803)
Interest expenses	2,224	2,216	24,057
Loss on valuation of securities for banking business	—	2,478	26,910
Gain on sales of securities for banking business	—	(110)	(1,197)
Loss on valuation of investment securities	67,177	1,773	19,254
Loss on retirement of noncurrent assets	1,855	1,104	11,987
Other loss	4,004	615	6,682
Increase in notes and accounts receivable - trade	(4,146)	(3,470)	(37,681)
Decrease (increase) in accounts receivable - installment	(22,892)	520	5,646
Decrease in beneficial interests in securitized assets	8,572	39,798	432,117
Increase in operating loans receivable	(29,732)	(81,434)	(884,190)
Increase in notes and accounts payable - trade	3,545	7,138	77,508
Decrease in deposits for banking business	—	(73,047)	(793,125)
Decrease in call loans for banking business	—	21,000	228,013
Decrease in loans for banking business	—	4,669	50,693
(Increase) decrease in operating receivables for securities business	128,326	(45,687)	(496,053)
Decrease in cash segregated as deposits for securities business	—	4,700	51,031
Increase (decrease) in operating payable for securities business	(77,630)	5,842	63,433
Increase (decrease) in loans payable secured by securities for securities business	(36,059)	5,505	59,769
Other, net	(4,768)	12,789	138,859
Subtotal	8,836	(37,228)	(404,216)
Payments for guarantee deposits for business operation	(23)	(2,665)	(28,940)
Proceeds from guarantee deposits for business operation	143	41	444
Income taxes paid	(23,453)	(16,420)	(178,281)
Income taxes refund	1,031	1,054	11,440
Net cash used in operating activities	¥ (13,467)	¥ (55,219)	\$ (599,553)

The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at ¥ 92.10 to \$1, the rate of exchange prevailing at December 31, 2009.

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
NET CASH PROVIDED BY (USED IN) INVESTMENT ACTIVITIES:			
Payments into time deposits	¥ (9,296)	¥ (10,982)	\$ (119,240)
Proceeds from withdrawal of time deposits	3,873	8,386	91,051
Purchase of securities for banking business	—	(526,820)	(5,720,085)
Proceeds from sales and redemption of securities for banking business	—	723,626	7,856,963
Proceeds from a exercise of appraisal rights for investment securities	—	40,000	434,311
Purchase of investments in subsidiaries	(404)	(1,670)	(18,134)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(537)	(3,293)	(35,751)
Purchase of property, plant and equipment	(3,699)	(2,886)	(31,332)
Proceeds from sales of property, plant and equipment	1,663	201	2,177
Purchase of intangible assets	(12,848)	(10,030)	(108,900)
Payments for lease and guarantee deposits	(257)	(1,165)	(12,653)
Proceeds from collection of lease and guarantee deposit	1,350	1,406	15,262
Other payments	(24,125)	(1,006)	(10,923)
Other proceeds	2,183	694	7,536
Interest and dividends income received	1,120	700	7,596
Net cash provided by (used in) investment activities	(40,977)	217,160	2,357,877
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES:			
Net (decrease) increase in short-term loans payable	6,905	(77,600)	(842,567)
Increase in commercial papers	7,700	4,600	49,946
Proceeds from long-term loans payable	146,547	49,650	539,088
Repayment of long-term loans payable	(101,509)	(135,204)	(1,468,018)
Proceeds from issuance of bonds	9,863	1,234	13,398
Redemption of bonds	(4,990)	(6,010)	(65,255)
Repayments of lease obligations	(810)	(3,532)	(38,347)
Purchase of treasury stock of consolidated subsidiary	—	(4,116)	(44,690)
Interest expenses paid	(2,310)	(2,246)	(24,384)
Cash dividends paid	(1,299)	(1,309)	(14,216)
Other	1,271	376	4,086
Net cash (used in) provided by financing activities	62,397	(174,157)	(1,890,959)
EFFECT OF EXCHANGE RATE CHANGE ON CASH AND CASH EQUIVALENTS	(866)	(37)	(402)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	7,088	(12,253)	(133,036)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	73,861	81,284	882,562
INCREASE IN CASH AND CASH EQUIVALENTS FROM NEWLY CONSOLIDATED SUBSIDIARY	342	34,751	377,320
DECREASE IN CASH AND CASH EQUIVALENTS RESULTING FROM EXCLUSION OF SUBSIDIARIES FROM CONSOLIDATION	(7)	(164)	(1,781)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	¥ 81,284	¥ 103,618	\$ 1,125,064

Consolidated Subsidiaries and Affiliated Companies

(As of December 31, 2009)

Name	Location	Capital or investment (Millions of yen)	Type of business	Voting rights or ownership (%)	Note
Consolidated Subsidiaries					
Rakuten Auction, Inc.	Shinagawa-ku, Tokyo	1,650	E-Commerce Business	60.0	
Rakuten Enterprise Inc.	Shinagawa-ku, Tokyo	10	E-Commerce Business	100.0	
Signature Japan Co., Ltd.	Shinagawa-ku, Tokyo	80	E-Commerce Business	100.0	
Fine Wine Co., Ltd.	Shinagawa-ku, Tokyo	205	E-Commerce Business	100.0	
LinkShare Corporation	U.S.A.	1 U.S. dollars	E-Commerce Business	100.0 (100.0)	5
LinkShare International, LLC	U.S.A.	2,688 thousand U.S. dollars	E-Commerce Business	100.0 (100.0)	5
LinkShare Ltd.	U.K.	1,826 thousand U.K. pounds	E-Commerce Business	100.0 (100.0)	5
Rakuten USA, Inc.	U.S.A.	182 U.S. dollars	E-Commerce Business	100.0	
CauseLoyalty, LLC	U.S.A.	—	E-Commerce Business	100.0 (100.0)	5
Keiba Mall, Inc.	Shinagawa-ku, Tokyo	499	E-Commerce Business	100.0	
Taiwan Rakuten Ichiba Inc.	Taiwan	454 million NT dollars	E-Commerce Business	51.0	
Net's Partners Co., Ltd.	Shibuya-ku, Tokyo	493	E-Commerce Business	78.7	
TRAFFIC GATE, Ltd.	Minato-ku, Tokyo	217	E-Commerce Business	100.0	
FreeCause, Inc.	U.S.A.	15 U.S. dollars	E-Commerce Business	100.0 (100.0)	5
Rakuten (Thailand) Co., Ltd.	Thailand	114 million baht	E-Commerce Business	100.0	2
TARAD Dot Com Co., Ltd.	Thailand	10 million baht	E-Commerce Business	67.0 (67.0)	2, 6
Rakuten KC Co., Ltd.	Fukuoka-shi, Fukuoka	3,055	Credit Card Business	97.3	14
Kajiyama Warehouse Co., Ltd.	Kitakyusyu-shi, Fukuoka	240	Credit Card Business	100.0 (100.0)	7
Rakuten Credit, Inc.	Shinagawa-ku, Tokyo	4,450	Banking Business	100.0	
Rakuten Mortgage Co., Ltd.	Shinagawa-ku, Tokyo	607	Banking Business	100.0	8
eBANK Corporation	Shinagawa-ku, Tokyo	23,485	Banking Business	73.7	2, 12, 13
eBANK Systems Corporation	Minato-ku, Tokyo	400	Banking Business	58.3 (58.3)	2, 8
eBANK Capital Management (Cayman) Ltd.	Cayman Islands	50	Banking Business	100.0 (100.0)	2, 8
Target, Inc.	Shinagawa-ku, Tokyo	480	Portal and Media Business	100.0	
Rakuten Research, Inc.	Shinagawa-ku, Tokyo	246	Portal and Media Business	100.0	
Rakuten Shashinkan, Inc.	Shinagawa-ku, Tokyo	279	Portal and Media Business	66.7	
O-net, Inc.	Shinagawa-ku, Tokyo	98	Portal and Media Business	100.0	
SHOWTIME, Inc.	Minato-ku, Tokyo	480	Portal and Media Business	100.0	
Rakuten Travel, Inc.	Shinagawa-ku, Tokyo	212	Travel Business	100.0	
RAKUTEN TRAVEL KOREA CO., LTD.	Republic of Korea	350 million won	Travel Business	100.0 (100.0)	9
TABIMADO CO., LTD SHANGHAI	People's Republic of China	1,000 thousand RMB	Travel Business	— [100.0]	
Rakuten Bus Services Inc.	Shinagawa-ku, Tokyo	40	Travel Business	100.0 (100.0)	9
Rakuten Travel Guam Inc.	U.S.A.	200 thousand U.S. dollars	Travel Business	100.0 (100.0)	9
Rakuten Securities, Inc.	Shinagawa-ku, Tokyo	7,477	Securities Business	100.0	
Rakuten Realty Management Co., Ltd.	Shinagawa-ku, Tokyo	200	Securities Business	100.0	
Rakuten Investment Management, Inc.	Shinagawa-ku, Tokyo	150	Securities Business	100.0 (100.0)	

Name	Location	Capital or investment (Millions of yen)	Type of business	Voting rights or ownership (%)	Note
Dot Commodity, Inc.	Shibuya-ku, Tokyo	1,899	Securities Business	56.7	
RS Empowerment, Inc.	Shinagawa-ku, Tokyo	16	Securities Business	100.0	
Rakuten Financial Frontier Investment Limited Partnership	Shinagawa-ku, Tokyo	2,340	Securities Business	—	
Rakuten Baseball, Inc.	Sendai-shi, Miyagi	400	Professional Sports Business	100.0	
Rakuten Sports Properties, Inc.	Sendai-shi, Miyagi	150	Professional Sports Business	100.0 (100.0)	10
FUSION COMMUNICATIONS CORPORATION	Chiyoda-ku, Tokyo	10,955	Telecommunication Business	74.5	13
Rakuten Sociobusiness, Inc	Sendai-shi, Miyagi	10		100.0	
Equity-method Affiliates					
LinkShare Japan K.K.	Chiyoda-ku, Tokyo	10	E-Commerce Business	50.0 (50.0)	11
OKWave	Shibuya-ku, Tokyo	965	E-Commerce Business	18.6	12
Drecom Co., Ltd	Shinjuku-ku, Tokyo	1,042	Portal and Media Business	19.9	12
WORLD TRAVEL SYSTEMS INC.	Shinjuku-ku, Tokyo	110	Travel Business	20.0	
Rakuten ANA Travel Online Co., Ltd.	Shinagawa-ku, Tokyo	90	Travel Business	50.0	
TECHMATRIX CORPORATION	Minato-ku, Tokyo	1,298		31.8	12
NEXT Co., Ltd.	Chuo-ku, Tokyo	1,990		16.8	12

- Notes:**
1. Business segments are used to indicate the type of business.
 2. The company became a group member during the fiscal year ended December 31, 2009.
 3. Indirectly held voting rights are shown in parentheses.
 4. Voting rights held by parties close to Rakuten or that support Rakuten's policies, but not included in the voting rights percentage, are shown in square brackets.
 5. LinkShare Corporation, CauseLoyalty, LLC and FreeCauce, Inc. are subsidiaries of Rakuten USA, Inc. In addition, LinkShare International, LLC is a subsidiary of LinkShare Corporation, and LinkShare Ltd. is a subsidiary of LinkShare International, LLC.
 6. TARAD Dot Com Co., Ltd is a subsidiary of Rakuten (Thailand) Co., Ltd.
 7. Kajiyama Warehouse Co., Ltd., is a subsidiary of Rakuten KC Co., Ltd.
 8. Rakuten Mortgage Co., Ltd., eBANK Systems Corporation and eBANK Capital Management (Cayman) Ltd. are subsidiaries of eBANK CORPORATION.
 9. RAKUTEN TRAVEL KOREA CO., LTD., Rakuten Bus Services Inc. and Rakuten Travel Guam, Inc. are subsidiaries of Rakuten Travel, Inc.
 10. Rakuten Sports Properties, Inc. is a subsidiary of Rakuten Baseball, Inc.
 11. LinkShare Japan K.K. is an equity-method affiliate of LinkShare International, LLC.
 12. Denotes companies required to submit financial reports and securities registration statements according to Japanese securities and exchange legislation.
 13. This is a special-purpose company.
 14. Net sales of Rakuten KC Co., Ltd. (excluding internal sales between consolidated subsidiaries) account for over 10% of consolidated net sales.

Corporate Information

Company Overview

Name	Rakuten, Inc.
Founded	February 7, 1997
Service Launched	May 1, 1997
IPO	April 19, 2000
Capital	107,605 million yen (As of December 31, 2009)
Employees	5,810 (Consolidated) 2,625 (Non-consolidated) (As of December 31, 2009)
Headquarters	Shinagawa Seaside Rakuten Tower, 4-12-3 Higashishinagawa, Shinagawa-ku, Tokyo 140-0002, Japan

Board of Directors and Corporate Auditors (As of March 30, 2009)

Position	Name	Responsibilities	Shares owned (Thousand)
Chairman and CEO	Hiroshi Mikitani	E-Commerce Business Unit (BU), Banking BU, Travel BU, E-Money BU	2,171
Deputy President and Director	Atsushi Kunishige		0
Senior Executive Officer and Director	Masatada Kobayashi	Sub-head of E-Commerce BU	41
	Toru Shimada	Professional Sports BU, Group Marketing Department, Advertising BU, Telephony BU	3
	Akio Sugihara	Development Department	89
	Hisashi Suzuki	Content BU, Community BU, Creative & Web Design Department	3
	Ken Takayama	CFO, Finance Department	50
	Kazunori Takeda	Business Directorate Department	3
	Takao Toshishige	Content Business	0
	Takeshi Hanai	Securities and Investment BU, Credit and Payment BU	—
	Hiroaki Yasutake	Sub-head of Development Department	4
Director	Yoshiaki Ohnishi	Corporate Planning Department	0
	Kouichi Kusano		12
	Ken Kutaragi		0
	Hiroshi Fukino		1
	Tatsumi Yoda		1
Corporate Auditor	Tanekiyo Kunitake		0
	Kouji Hata		2
	Takeo Hirata		—
	Katsuyuki Yamaguchi		—

Note: Mr. Kusano, Mr. Kutaragi, Mr. Fukino and Mr. Yoda are outside corporate directors as stipulated in Paragraph 15, Article 2 of the Corporation Law of Japan. Mr. Kunitake, Mr. Hata, Mr. Hirata and Mr. Yamaguchi are outside corporate auditors as stipulated in Paragraph 16, Article 2 of the Corporation Law of Japan.

Stock Information

Stock Code	4755 (JASDAQ)
Fiscal Year	January 1 to December 31
Month of Annual General Shareholders' Meeting	March
Shareholder Record Date	December 31
Transfer Agent	The Sumitomo Trust & Banking Co., Ltd.
Contact	The Sumitomo Trust & Banking Co., Ltd. Stock Transfer Agency Department 1-10 Nikko-cho, Fuchu-shi, Tokyo 183-8701, Japan

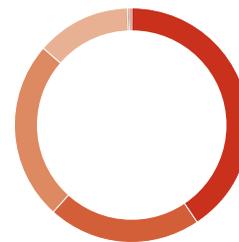
Number of Shares and Shareholders (As of December 31, 2009)

Number of shares authorized	39,418,000 (common stock)
Total number of shares issued	13,096,980 (common stock)
Number of shareholders	96,331

Main Shareholders (As of December 31, 2009)

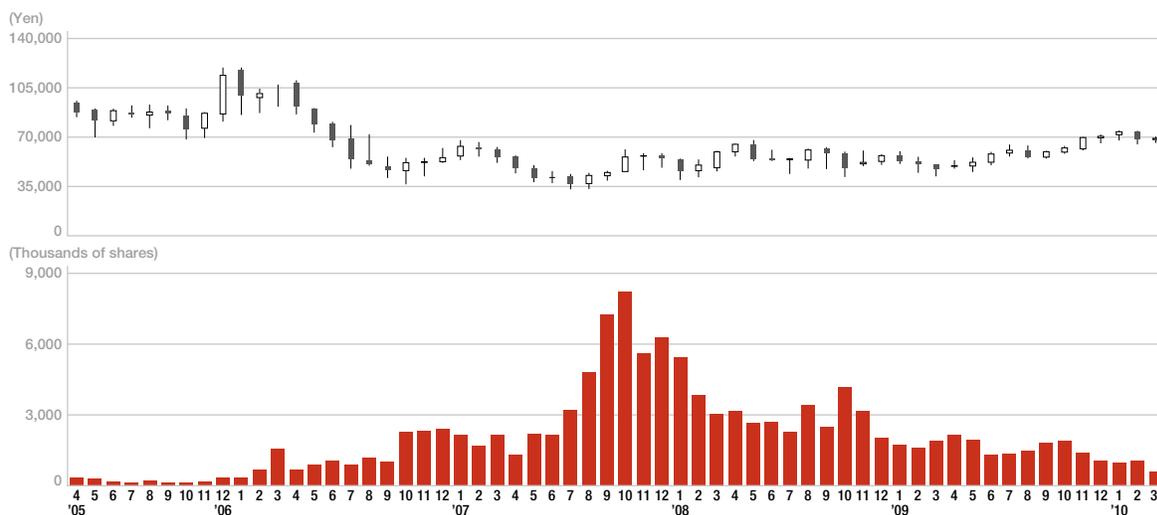
Name	Number of shares	Percentage held
Crimson Group, Inc.	2,264,190	17.29
Hiroshi Mikitani	2,171,722	16.58
Haruko Mikitani	1,458,750	11.14
The Master Trust Bank of Japan, Ltd. (Trust Account)	549,262	4.19
Japan Trustee Services Bank, Ltd. (Trust Account)	456,250	3.48
Masuda and Partners Inc.	443,410	3.39
Japan Trustee Services Bank, Ltd. (Trust Account 9G)	314,180	2.40
The Chase Manhattan Bank, N.A. London SECS Lending Omnibus Account	238,486	1.82
The Chase Manhattan Bank 38503G	189,246	1.44
Mellon Bank N.A. as Agent for its Client Mellon Omnibus US Pension	176,592	1.35

Classification by Type of Shareholder (As of December 31, 2009)



Individuals	40.82%
Other domestic corporations	21.03%
Foreign financial institutions and individuals	24.77%
Domestic financial institutions	13.04%
Securities firms	0.32%
Others	0.02%

Monthly Stock Price Range (Tokyo Stock Exchange)



Inquiry

Investor Relations, Rakuten, Inc.
 Tel +81-3-6387-0555
 URL <http://corp.rakuten.co.jp/en/ir/>



Annual Report | Fiscal Year Ended December 31, 2009

Rakuten, Inc. TEL: +81-3-6387-1111 URL: <http://corp.rakuten.co.jp/en/ir>
Shinagawa Seaside Rakuten Tower, 4-12-3 Higashishinagawa, Shinagawa-ku, Tokyo 140-0002, Japan

