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## Consolidated Financial Reports For the Fiscal Year ended December 31, 2012

Rakuten, Inc.  
February 14, 2013

Company name	Rakuten, Inc.	Listed	Osaka Securities Exchange
Code No	4755	URL	<a href="http://www.rakuten.co.jp/">http://www.rakuten.co.jp/</a>
Representative	(Title) Chairman and CEO	(Name) Hiroshi Mikitani	
Contact person	(Title) CFO	(Name) Ken Takayama	

Supplementary materials for quarterly financial results: Yes  
 Quarterly financial results information meeting held: Yes (For institutional investors and analysts)  
 Scheduled date of the Annual General Meeting of Shareholders: March 28, 2013  
 Scheduled date of commencement of dividend payment: March 29, 2013  
 Scheduled date of filing the securities report: March 29, 2013

### 1. Consolidated Results for the Fiscal Year ended December 31, 2012 (January 1 to December 31, 2012)

(Amounts less than one million yen have been rounded down)

#### (1) Consolidated Operating Results

(% , YoY)

	Net Sales		Operating Profit		Ordinary Profit		Net Income (loss)	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended December 31, 2012	443,474	16.7	72,259	2.1	71,514	4.8	19,413	—
Fiscal year ended December 31, 2011	379,900	9.8	70,789	—	68,267	—	(2,287)	—

(Note) Comprehensive income (loss) : 33,586 million yen ( — %) (Fiscal year ended December 31, 2012);  
 (7,706) million yen ( — %) (Fiscal year ended December 31, 2011)

	EPS (Earning per Share)	EPS (Fully Diluted EPS)	ROE (Return on Equity)	ROA (Ratio of Ordinary Income to Total Assets)	OP margin (Ratio of Operating Income to Net Sales)
	Yen	Yen	%	%	%
Fiscal year ended December 31, 2012	14.77	14.74	8.1	3.6	16.3
Fiscal year ended December 31, 2011	(1.74)	—	(1.0)	3.5	18.6

(Note) 1. Equity in earnings of affiliates: 450 million yen (Fiscal year ended December 31, 2012);  
 398 million yen (Fiscal year ended December 31, 2011)

2. Because of the retrospective adjustment for the change in accounting policy, the percent change comparison from the fiscal year ended December 31, 2011 is omitted.
3. Rakuten, Inc. made a 100-for-1 stock split for shares of its common stock on July 1, 2012. Earning per Share and Fully Diluted EPS were calculated under the assumption that the stock split took effect at the start of the previous fiscal year.

#### (2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
As of December 31, 2012	2,108,409	262,451	12.1	193.73
As of December 31, 2011	1,915,892	231,025	11.7	170.89

(Note) 1. Shareholders' equity and accumulated other comprehensive income: 254,692 million yen (as of December 31, 2012);  
 224,457 million yen (as of December 31, 2011)

2. Rakuten, Inc. made a 100-for-1 stock split for shares of its common stock on July 1, 2012. Net Assets per Share was calculated under the assumption that the stock split took effect at the start of the previous fiscal year.

### (3) Consolidated Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investment Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents, End of Year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended December 31, 2012	19,508	136,548	(47,099)	260,656
Fiscal year ended December 31, 2011	27,585	56,351	(34,648)	149,752

### 2. Dividend Distribution

	Dividend per Share					Total Dividend (Year)	Dividend Ratio (Consolidated)	Ratio of Dividend to Net Assets (Consolidated)
	1Q	2Q	3Q	Annual	Year			
	Yen	Yen	Yen	Yen	Yen	Millions of Yen	%	%
FY2011	—	0.00	—	250.00	250.00	3,283	—	1.4
FY2012	—	0.00	—	3.00	3.00	3,943	20.3	1.6
FY2013 (Forecast)	—	—	—	—	—		—	

(Note) Rakuten, Inc. made a 100-for-1 stock split for shares of its common stock on July 1, 2012.

The amounts of Dividend per Share for fiscal 2011 represent the actual amounts before the stock split.

### 3. Forecast of Consolidated Operating Results for Fiscal 2013 (January 1–December 31, 2013)

Rakuten, Inc. and its subsidiaries do not disclose earnings forecasts as these business operations include an Internet service business characterized by high uncertainty and financial related businesses such as securities business whose results heavily depend on highly volatile markets. This precludes us from making earnings forecasts.

### 4. Other

#### (1) Significant changes in the scope of consolidation: Yes

Increase: Kobo Inc.

#### (2) Changes in accounting policies and presentation of the financial statements

Changes due to amendment of accounting standards: Yes

Other changes: Yes

Changes in the accounting estimate: No

Modified re-disclosure: No

#### (3) Number of shares issued (Common stock)

##### 1. Common stock (including treasury stock)

1,320,626,600 shares (As of December 31, 2012)

1,319,457,800 shares (As of December 31, 2011)

##### 2. Treasury stock

6,007,996 shares (As of December 31, 2012)

6,007,900 shares (As of December 31, 2011)

##### 3. Average number of shares issued for the fiscal year ended December 31

1,313,987,266 shares (January 1 – December 31, 2012)

1,312,810,029 shares (January 1 – December 31, 2011)

(Note) Rakuten, Inc. made a 100-for-1 stock split regarding shares of its common stock on July 1, 2012. Common stock and treasury stock as of December 31, 2011 and December 31, 2012, and average numbers of shares during the fiscal years ended December 31, 2011 and 2012 are calculated under the assumption that the stock split took effect at the start of the previous fiscal year.

## 5. Qualitative Information Concerning Consolidated Business Results

### (1) Business Results for the Fiscal Year Ended December 31, 2012

In the world economy during the fiscal year ended December 31, 2012, the prolonged European debt crisis and slowdown in growth in newly developing regions led to heightening uncertainty for the world outlook. In the Japanese economy, although personal consumption generally remained strong, the deterioration in the overseas economy and other factors saw it weaken from the middle of the year. Despite recent signs of a prevailing recovery in the domestic and overseas economy, there continues to be aspects of these trends that require close watch.

Meanwhile, the worldwide spread of the Internet and the developing shift in social foundations across the world means that the Internet continues to be a major engine for worldwide economic growth, as documented in a recent White Paper on Information and Communications (\*1). The Internet shopping market, with the rapid spread of smartphone and tablet devices, coupled with the accompanying changes in consumer lifestyles, is likely to see continuous growth.

Under such environment, Rakuten seeks to vigorously drive forward its growth strategy even further, by actively taking Rakuten Ichiba's B2B2C marketplace model to the world while also enhancing services for smartphone and tablet devices. In addition, we also aim to improve delivery quality, from measures such as reinforcing our logistics infrastructure. In the Internet Finance business segment, we are aggressively promoting the business centering on Rakuten Card, which has notable synergies with Internet Services.

As a result of these efforts, the Rakuten Group, for the fiscal year ended December 31, 2012 achieved solid growth with consolidated net sales of ¥443,474 million (up 16.7% year on year), operating profit of ¥72,259 million (up 2.1% year on year), and ordinary profit of ¥71,514 million (up 4.8% year on year). All three results are record highs. On the other hand, there was an extraordinary loss recorded of ¥28,571 million, including the loss from the restructuring of overseas businesses and impairment of goodwill. This was mainly attributable to a loss from business restructuring in Play.com (U.K.) due to the organizational restructuring carried out against changes in local regulations, and the recording of an impairment of goodwill in Buy.com (U.S.) due to income plan falling below initial forecasts, as a result of prioritizing a switch in the business model so as to raise mid-term competitiveness. As a result of these factors, current net income amounted to ¥19,413 million (compared with a net loss of ¥2,287 million in the previous fiscal year).

### (2) Segment Information

Business results for each segment are as follows.

#### <Internet Services>

In the Internet Services segment for the fiscal year ended December 31, 2012, Rakuten worked on enhancing its product lineup, strengthening services for smartphone and tablet devices, improving next-day delivery services, and running large-scale sales events called 'Rakuten Super Sale', among other initiatives in its core 'Rakuten Ichiba' service. In addition to the success of these initiatives, the expanding use of e-commerce in daily consumption saw the number of unique buyers and order numbers perform strongly, with the domestic e-commerce gross merchandise sales rising by 15.3% over the previous fiscal year, as the segment continues to maintain a high level of growth.

In Travel services, we added a 12.9% year on year increase to gross transaction value. Dynamic Packages had solid sales and upgraded its single payment service for corporate hotel reservations in pursuit of a more diversified earnings base.

In its overseas ventures, despite posting an extraordinary loss, Rakuten is promoting the expansion of its business model overseas by focusing on marketplace-model services while also actively implementing initiatives including points programs that have proven successful in Japan. During the first quarter, Rakuten made the Canadian-based Kobo Inc., a worldwide operator of e-books where the market is enjoying continuous high sales growth, into a consolidated subsidiary.

As a result, net sales for the segment rose to ¥285,814 million, a 25.0% year-on-year increase, while segment operating income was down 10.6% year on year to ¥58,639 million due to our continued advance investments, mainly in overseas businesses.

### <Internet Finance>

For the Internet Finance segment for the fiscal year ended December 31, 2012, in credit card and related services, the shopping transaction value accompanying an increase in credit card membership rose 36.0% over the previous fiscal year. Also, a solid rise in the revolving shopping balance resulted in a rise in commission income and subsequent notable growth in profit.

Banking services benefited from its effective marketing programs to Rakuten members and solid growth in loan balances to achieve increased interest income from loans. In securities services, activation of the domestic market from the fourth quarter has been generating a huge increase in current domestic stock transaction payments. In its aim to further enhance financial services, from the fourth quarter, Rakuten has made AIRIO Life Insurance Co., Ltd. (\*2) a consolidated subsidiary.

As a result of the above, the Internet Finance segment recorded ¥156,430 million in net sales (10.8% increase over the previous fiscal year). Segment operating profit was ¥23,714 million (compared to a segment operating profit of ¥12,970 million in the previous fiscal year) which was an 82.8% growth in income over the previous fiscal year, due to a ¥4,264 million allowance in the previous fiscal year, for loss on interest repayment taken in advance of the re-organization of the credit card business.

### <Others>

During the fiscal year ended December 31, 2012, operating profit in the Others segment firmed up, despite lower telecommunications sales stemming from the shift to a new business model emphasizing new, high-growth ventures such as cloud services, while moving away from a traditional landline operator providing bypass services. The professional sports division lifted net sales through year-on-year revenue increases in both advertising and tickets.

As a result of the above, net sales for the segment were ¥33,269 million, a 2.6% year-on-year decrease, while segment operating profit grew 38.8% year on year to ¥1,585 million.

\*1: Heisei 24 Nen Joho Tsushin ni Kansuru Genjo Hokoku [Fiscal 2012 Information and Communications Status Report] (published by the Ministry of Internal Affairs and Communications, July 17, 2012)

\*2: Assuming approval from the relevant authorities, as of April 1, 2013, AIRIO Life Insurance Co., Ltd. will change its trade name to Rakuten Life Insurance Co., Ltd.

### (3) Outlook for the Coming Year

In the year ending December 31, 2013, we anticipate further expansion in the use of our services in Japan including e-commerce and travel, resulting in continued high growth. In financial services, although there will be a certain degree of impact from financial conditions, we anticipate a continuous growth in earnings created from synergies within the Rakuten Group. Aiming for an early return in income, Rakuten will continue to make strategic allocations of corporate resources and active investments in high-growth areas such as e-books, in order to generate more mid-to-long-term income opportunities.

While making these forward-looking investments, Rakuten intends to surpass its current financial results in the fiscal year ending December 31, 2013.

Rakuten, Inc. and its group companies are also involved in the securities business and other finance-related business activities, with the result that their business performance is affected by financial market trends and other factors. For these reasons, it is impossible to predict financial results, and no forecasts are included in this report.

#### **(4) Balance Sheet**

##### **<Assets>**

Total assets at the end of the fiscal year on December 31, 2012 amounted to ¥2,108,409 million. This represents an increase of ¥192,516 million from the total assets of ¥1,915,892 million as of December 31, 2011. Primary factors were decreases of ¥109,114 million in securities for bank business from the sale of government bonds and ¥65,884 million in beneficial interests in securitized assets in conjunction with a change in the securitization scheme, which were offset by increases including ¥178,606 million in cash and deposits as a result of increased deposits with the Bank of Japan in the banking business, ¥139,111 million in accounts receivable - installment in conjunction with increased card shopping and the change in the securitization scheme, ¥41,457 million in intangible assets from the acquisition of Kobo Inc. etc., and ¥13,777 million in securities for insurance business from the acquisition of AIRIO Life Insurance Co., Ltd.

##### **<Liabilities>**

Total liabilities at the end of the fiscal year on December 31, 2012 were up by ¥161,091 million to ¥1,845,957 million, compared with ¥1,684,866 million at the end of the previous fiscal year. Major factors were a decrease of ¥64,683 million in long-term loans payable, which was offset by increases of ¥66,578 million in deposits for banking business as a result of the growth in accounts at Rakuten Bank, Ltd., ¥38,033 million in deposits received for securities business, ¥20,763 million in notes and accounts payable – trade, ¥14,694 million in short-term loans payable, ¥14,000 million in commercial papers, and ¥20,413 million in reserve for contract of insurance from the acquisition of AIRIO Life Insurance Co., Ltd.

##### **<Net Assets>**

Net assets at the end of the fiscal year on December 31, 2012 rose ¥31,425 million to ¥262,451 million compared with ¥231,025 million at the end of the previous fiscal year on December 31, 2011. A major component was shareholders' equity, which grew by ¥16,722 million during the period after recording ¥19,413 million in net income for the period. Other contributors were increases of ¥3,897 million for unrealized gains or losses on available-for-sale securities and ¥9,669 million for foreign currency translation adjustments.

#### **(5) Cash Flows**

Cash flow conditions and their major factors for the fiscal year ended December 31, 2012 are as follows. Cash and cash equivalents at the end of the fiscal year ended December 31, 2012 was ¥260,656 million, an increase of ¥110,904 million from the end of the previous fiscal year (December 31, 2011). Cash flow conditions and their major factors for the fiscal year ended December 31, 2012 are as follows.

##### **<Cash Flows from Operating Activities>**

Cash flows from operating activities for the fiscal year under review resulted in a cash inflow of ¥19,508 million (compared with a cash inflow of ¥27,585 million for the previous fiscal year). Primary factors include: a cash outflow of ¥98,167 million for an increase in accounts receivable – installment (compared with a cash inflow of ¥13,538 million for the previous fiscal year); a cash outflow of ¥65,536 million for an increase in beneficial interests in securitized assets after adjusting for intercompany transactions (compared with a cash outflow of ¥88,644 million for the previous fiscal year); a cash inflow of ¥46,698 million for income before income taxes and minority interests (compared with a cash outflow of ¥15,017 million for the previous fiscal year); a cash inflow of ¥66,582 million for an increase in deposits for banking business (compared with a cash inflow of ¥28,228 million for the previous fiscal year); a cash inflow of ¥10,383 million for an increase in accounts payable – other and accrued expenses (compared with a cash inflow of ¥21,769 million for the previous fiscal year); and the recording of non-cash flow items including ¥21,140 million for depreciation and amortization (compared with ¥16,933 million for the previous fiscal year), ¥18,661 million for impairment loss (compared with ¥645 million for the previous fiscal year), and ¥4,249 million for loss on business restructuring (compared with ¥77,122 million for the previous fiscal year).

### <Cash Flows from Investing Activities>

Cash flows from investing activities for the fiscal year ended December 31, 2012 resulted in a cash inflow of ¥136,548 million (compared with a cash inflow of ¥56,351 million for the previous fiscal year). Primary factors include: a cash outflow of ¥254,060 million for purchase of securities for banking business (compared with a cash outflow of ¥390,827 million for the previous fiscal year); a cash outflow of ¥37,068 million for purchase of investments in subsidiaries resulting in change in scope of consolidation (compared with a cash outflow of ¥7,483 million for the previous fiscal year), which was primarily caused by acquiring Kobo Inc. and making it a consolidated subsidiary; a cash outflow of ¥19,002 million for purchase of software and other intangible assets (compared with a cash outflow of ¥15,162 million for the previous fiscal year); and a cash inflow of ¥461,375 million for proceeds from sales and redemption of securities for banking business (compared with a cash inflow of ¥455,813 million for the previous fiscal year).

### <Cash Flows from Financing Activities>

Cash flows from financing activities for the fiscal year under review resulted in a cash outflow of ¥47,099 million (compared with a cash outflow of ¥34,648 million for the previous fiscal year). Primary factors include: a cash inflow of ¥14,000 million for an increase in commercial papers (compared with a cash outflow of ¥30,200 million for the previous fiscal year); a cash inflow of ¥28,210 million for proceeds from long-term loans payable (compared with a cash inflow of ¥173,350 million for the previous fiscal year); and a cash outflow of ¥86,268 million for repayment of long-term loans payable (compared with a cash outflow of ¥143,537 million for the previous fiscal year).

(Note)

Starting from the current fiscal year, the Rakuten Group has made a change in accounting policy regarding loyalty points and is basing its comparisons and analysis of cumulative business results for the current fiscal year on previous year values after retrospective application.

### (Reference) Cash Flows Index

	FY2010	FY2011	FY2012
Shareholders' equity ratio (%)	12.2	11.7	12.1
Ratio of Shareholders' equity to market capitalization (%)	45.8	56.8	42.0
Ratio of cash flows to interest-bearing liabilities (X)	12.2	12.6	15.8
Interest coverage ratio (X)	18.5	17.5	12.8

(Notes)

1. Shareholders' equity ratio: shareholders' equity/total assets
2. Ratio of Shareholders' equity to market capitalization: aggregate market value of shares/total assets
3. Ratio of cash flows to interest-bearing liabilities: interest-bearing liabilities/cash flows
4. Interest coverage ratio: cash flows/interest payments
  - (1) All ratios were calculated using consolidated financial figures.
  - (2) Market capitalization is calculated as the market value of shares at the end of the period multiplied by the total number of shares issued and outstanding at the end of the period.
  - (3) "cash flow" stands for cash flows from operating activities.

## **(6) Basic Policy on Income Distribution and Dividends payment for Fiscal 2012 and 2013**

Our basic policy on returns to shareholders reflects our commitment to the maximization of corporate value. For this reason, we also take into account the need to build up reserves of retained earnings to maintain a sound financial structure while dynamically developing our business activities. On this basis, we have sought to maintain stable dividends. In keeping with this basic policy, we plan to pay a dividend of ¥3 per share for fiscal 2012 (versus a dividend of ¥250 per share for fiscal 2011), to be paid from retained earnings.

(Note) Rakuten, Inc. made a 100-for-1 stock split for shares of its common stock on July 1, 2012.

### **Reasons for the Difficulty of Forecasting Dividends**

Rakuten is a participant in the Internet business sector. Because that sector is subject to rapid change, it is difficult to predict our financial performance. For this reason, we have not included a dividend forecast for fiscal 2013.

## **(7) Management Policies**

### **1. Basic Management Policy**

Our basic business philosophy calls for the empowerment of individuals and society through the Internet. We contribute to social innovation and enrichment by creating growth opportunities for as many people as possible through the provision of services that ensure a high standard of satisfaction for both users and partner enterprises. Through these activities, we aim to maximize shareholders' value and corporate value of the Rakuten Group, and to become a truly global Internet service company.

### **2. Targets for Financial Indicators**

The key performance indicators (KPIs) used by the Rakuten Group include the amounts and growth rates for group and business unit (BU) net sales, operating income, and income before income taxes, together with gross transaction value (the value of transactions in goods and services), the number of Rakuten Group members and others.

### **3. Medium- to Long-Term Management Strategies**

At the heart of the basic management strategy of the Rakuten Group is a business model known as the "Rakuten Eco-System," which is based on the provision of a wide range of Internet services to users, especially Rakuten members. With this Rakuten Eco-System, we have created an environment in which members worldwide can continuously surf between multiple services, including e-commerce transactions and financial services. Our goal is to achieve synergistic benefits that include the expansion of gross transaction value and maximization of the lifetime value of each member.

In order to bring the company to a higher growth plain by achieving these goals, we will fill out our existing lineup of services and strengthen our new service offerings such as those for smartphones. We will also proceed with effective marketing programs for building user loyalty, such as ones that make use of Rakuten Super Points.

Amid the global expansion of the Group's business, in order to respond quickly to trends in a rapidly changing Internet business environment, the Group is committed to addressing the establishment of a solid global-based management structure, including the standardization of the Group's personnel system, the implementation of swift decision-making and business executions based on the shared awareness of Group strategies by all executives and employees, higher levels of business performance management functions and an enhanced system of corporate governance.

In the future, Rakuten will further increase its efforts to energize communities in Japan and other countries where it is active. We also aim to contribute to economic prosperity in Japan and globally through the growth of the Rakuten Group over the medium- to long-term future.

## **(8) Challenges**

The Internet sector is expected to undergo continued rapid expansion. The challenge for the Rakuten Group is to build structures capable of supporting sustainable long-term growth in that environment, reacting according to changes in business environment.

### **1. Globalization**

We aim to contribute to economic growth and the advancement of the Internet sector by extending the Rakuten Eco-System business model both domestically and internationally. In addition, we will fold new services into the Rakuten Group's ongoing ventures, including e-commerce, to offer innovative Internet services, such as the e-book business which we have entered in earnest, to users across the globe.

### **2. Further improvement of Internet services**

In Internet services, particularly e-commerce and travel, we will work with our partner companies to lift user satisfaction through efforts to create more new services for smartphones and tablet devices, expand our product lineup, and provide greater quality of deliveries.

### **3. Strengthening financial service brands**

By offering financial services in such areas as credit cards, net banking and e-money, we aim to create a more robust Rakuten Eco-System business model in which Rakuten members can enjoy one-stop access to a multitude of services, thereby growing these services even more through group synergies.

### **4. Development of technology**

Rakuten will give priority to the development of Internet-related technologies, such as cloud computing and big data. We will also strengthen our development organization, including overseas development centers, with the aim of building a reputation for Rakuten as a company with unique, world-class technology.

### **5. Development of global management structure**

Rakuten Shugi (Rakuten principles) defines the corporate philosophy of the Rakuten Group together with its values and code of conduct. We will make sure that these principles are assimilated by executives and employees in Japan and overseas as we increase our business speed and quality. We will also develop the talent that is needed to globalize our business. Furthermore, we will reinforce corporate governance and create sustainable shareholder value through strengthening of our risk management systems and corporate management structure.

## **(9) Changes in Accounting Policy**

### **(a) Changes in Recognition Timing of the Reserve for Points**

The former accounting procedure for the Rakuten Super Points program treated regular points by recognizing a reserve for points at an amount corresponding to the balance of points available for customer use at the end of the period and treated limited-time points as an expense in the period used. Under the new policy, the projected value of points granted for both regular and limited-time points will be recognized in the reserve for points at the time of transaction.

Points granted and used have both grown recently as point programs play an increasingly important role each year as marketing tools. In response to these conditions, the Rakuten Group has constructed a point campaign management system and developed an internal management structure in order to gain timely understanding of campaign effects. In the first quarter accounting period, we have been able to promptly calculate the estimated value of granted points from campaigns at the time of generation for both regular and limited-time points. We are thus able to gauge and to manage the point balances in the important Rakuten Super Points marketing tool. At the same time, we have adopted a uniform accounting procedure for the Rakuten Super Points



program. This method accounts for points in the reserve for points by using the projected value of point grants, and recognition timing will be based on the transaction that caused the points to be generated.

The change in accounting policy is applied retroactively, and quarterly and annual financial statements for the previous year are presented after retrospective application.

As a result, the amounts for operating profit and ordinary profit for the previous fiscal year are each ¥554 million lower and loss before income taxes and minority interests for it is ¥554 million larger than before retrospective application, and the reserve for points at the end of the previous fiscal year is ¥5,290 million higher. In addition, reflecting the cumulative effect in net assets at the beginning of the previous fiscal year reduces retained earnings at that time by ¥2,812 million.

**(b) Application of the Accounting Standard for Net Income per Share**

Starting in the first quarter of the current fiscal year, we are applying the Accounting Standard for Earnings per Share (Accounting Standards Board of Japan [ASBJ], Statement No. 2, revised June 30, 2010) and the Guidance on Accounting Standard for Earnings per Share (ASBJ Guidance No. 4, revised June 30, 2010).

According to this change, the calculation of diluted net income per share for stock options whose right to exercise is established after a fixed period of work service sets the value of receipts on the assumption that funds are paid in when rights are exercised and has changed to a method that includes the future service-related portion furnished by the company.

For the stock split conducted during the fiscal year ended December 31, 2012, net income per share and net income per diluted share were calculated under the assumption that the stock split took effect at the start of the previous fiscal year.

**(c) Application of the Accounting Standards for Accounting Changes and Error Corrections**

As a result of accounting changes and corrections to prior period errors after the beginning of the first quarter financial reporting period, we have applied the Accounting Standards for Accounting Changes and Error Corrections (ASBJ Statement No. 24, December 4, 2009) and the Guidance on Accounting Standards for Accounting Changes and Error Corrections (ASBJ Guidance No. 24, December 4, 2009).

## 6. Consolidated Financial Statements for the fiscal year ended December 31, 2011 and 2012

### (1) Consolidated Balance Sheets

As of December 31, 2011 and 2012

(Millions of Yen)

	As of December 31, 2011	As of December 31, 2012
(Assets)		
Current assets		
Cash and deposits	88,989	267,596
Notes and accounts receivable - trade	49,667	66,740
Accounts receivable - installment	66,219	205,330
Accounts receivable - installment sales-credit guarantee	2,153	1,781
Beneficial interests in securitized assets	88,959	23,074
Cash segregated as deposits for securities business	207,503	252,308
Margin transaction assets for securities business	115,633	130,165
Operating loans	62,386	69,214
Short-term investment securities	76,600	4,300
Securities for bank business	537,790	428,676
Loans and bills discounted for banking business	155,677	189,471
Securities for insurance business	—	13,777
Deferred tax assets - current	34,650	24,686
Other current assets	189,814	155,709
Allowance for doubtful accounts - current	(14,384)	(14,468)
Total current assets	1,661,662	1,818,364
Non-current assets		
Property, plant and equipment	15,804	18,308
Intangible assets		
Goodwill	115,064	131,058
Other	58,222	83,686
Total intangible assets	173,287	214,744
Investments and other assets		
Investment securities	20,684	26,534
Deferred tax assets - non-current	25,731	17,851
Other non-current assets	33,630	23,344
Allowance for doubtful accounts - non-current	(14,907)	(10,737)
Total investments and other assets	65,138	56,992
Total non-current assets	254,229	290,045
Total assets	1,915,892	2,108,409

(Millions of Yen)

	As of December 31, 2011	As of December 31, 2012
<b>(Liabilities)</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	59,201	79,965
Accounts payable - credit guarantee	2,295	1,781
Commercial papers	19,800	33,800
Short-term loans payable	130,722	145,417
Deposits for banking business	741,501	808,080
Current portion of bonds payable	4,800	273
Income taxes payable	3,980	2,873
Deposits received for securities business	139,482	177,515
Margin transaction liabilities for securities business	38,229	41,777
Guarantee deposits received for securities business	79,817	83,371
Payable secured by securities for securities business	28,734	37,465
Reserve for insurance policy liabilities	—	20,413
Deferred tax liabilities - current	57	71
Reserve for points	20,587	25,908
Other provision - current	3,691	4,243
Other current liabilities	205,221	235,201
<b>Total current liabilities</b>	<b>1,478,125</b>	<b>1,698,159</b>
<b>Non-current liabilities</b>		
Bonds payable	753	480
Long-term loans payable	190,746	126,063
Deferred tax liabilities - non-current	4,761	10,433
Other provision - non-current	1,433	1,570
Other non-current liabilities	7,171	7,621
<b>Total non-current liabilities</b>	<b>204,867</b>	<b>146,169</b>
<b>Reserves under the special laws</b>		
Reserve for financial products transaction liabilities	1,838	1,587
Reserve for commodities transaction liabilities	35	41
<b>Total reserves under the special laws</b>	<b>1,873</b>	<b>1,628</b>
<b>Total liabilities</b>	<b>1,684,866</b>	<b>1,845,957</b>
<b>(Net assets)</b>		
<b>Shareholders' equity</b>		
Common stock	107,959	108,255
Capital surplus	120,030	120,327
Retained earnings	5,459	21,590
Treasury stock	(3,625)	(3,625)
<b>Total shareholders' equity</b>	<b>229,824</b>	<b>246,546</b>
<b>Accumulated other comprehensive income</b>		
Unrealized gains or losses on available-for-sale securities	2,433	6,330
Deferred gains or losses on hedges	53	—
Foreign currency translation adjustments	(7,854)	1,814
<b>Total accumulated other comprehensive income</b>	<b>(5,367)</b>	<b>8,145</b>
Subscription rights to shares	1,184	1,706
Minority interests	5,383	6,052
<b>Total net assets</b>	<b>231,025</b>	<b>262,451</b>
<b>Total liabilities and net assets</b>	<b>1,915,892</b>	<b>2,108,409</b>

**(2) Consolidated Income Statements**  
**For the fiscal years ended December 31, 2011 and 2012**

(Millions of yen)

	Fiscal year ended December 31, 2011 (January 1 to December 31, 2011)		Fiscal year ended December 31, 2012 (January 1 to December 31, 2012)	
Net sales		379,900		443,474
Cost of sales		75,232		100,424
Gross profit		304,668		343,049
Selling, general and administrative expenses	*1	233,879	*1	270,790
Operating profit		70,789		72,259
Non-operating income				
Interest income		104		126
Dividends income		136		30
Equity in earnings of affiliates		398		450
Foreign exchange gain		—		313
Other non-operating income		571		595
Total non-operating income		1,212		1,516
Non-operating expenses				
Interest expenses		1,677		1,521
Foreign exchange losses		25		—
Commission fee		1,717		458
Other non-operating expenses		314		280
Total non-operating expenses		3,733		2,261
Ordinary profit		68,267		71,514
Extraordinary gains				
Gain on investment securities		—		402
Gain on negative goodwill		124		—
Gain on step acquisitions		—		2,991
Gain on change in equity		176		2
Gain on sales of subsidiaries and affiliates' stocks		373		—
Reversal of reserve for financial instruments transaction liabilities		125		251
Other extraordinary gains		8		109
Total extraordinary gains		808		3,756
Extraordinary losses				
Loss on disposal of non-current assets		1,156		1,533
Impairment loss		645	*2	18,661
Loss on disaster		1,725		—
Loss on liquidation of business		—		808
Loss on business restructuring		77,122	*3	4,249
Loss on write-off of bad debts		2,150		—
Other extraordinary losses		1,292		3,319
Total extraordinary losses		84,093		28,571
(Loss) income before income taxes and minority interests		(15,017)		46,698
Income taxes - current		6,979		6,458
Income taxes - deferred		(20,825)		20,185
Income tax (benefit) expense		(13,845)		26,644
(Loss) income before minority interests		(1,171)		20,054

(Millions of yen)

	Fiscal year ended December 31, 2011 (January 1 to December 31, 2011)	Fiscal year ended December 31, 2012 (January 1 to December 31, 2012)
Minority interests in income	1,116	640
Net (loss) income	(2,287)	19,413

**Consolidated Comprehensive Income Statements**  
**For the fiscal years ended December 31, 2011 and 2012**

(Millions of yen)

	Fiscal year ended December 31, 2011 (January 1 to December 31, 2011)	Fiscal year ended December 31, 2012 (January 1 to December 31, 2012)
(Loss) income before minority interests	(1,171)	20,054
Other comprehensive income		
Unrealized gains or losses on available-for-sale securities	(3,557)	3,874
Deferred gains or losses on hedges	263	(53)
Foreign currency translation adjustment	(3,222)	9,688
Share of other comprehensive (loss) income of associates accounted for using equity method	(19)	21
Total other comprehensive (loss) income	(6,535)	13,531
Comprehensive (loss) income	(7,706)	33,586
(Comprehensive (loss) income attributable to)		
Owners of the parent	(8,763)	32,926
Minority interests	1,056	659

**(3) Consolidated Statements of Changes in Net Assets**  
**For the fiscal years ended December 31, 2011 and 2012**

(Millions of yen)

	Fiscal year ended December 31, 2011 (January 1 to December 31, 2011)	Fiscal year ended December 31, 2012 (January 1 to December 31, 2012)
Shareholders' equity		
Common stock		
Balance at the beginning of current period	107,779	107,959
Changes of items during the period		
Issuance of common stock	179	296
Total changes of items during the period	179	296
Balance at the end of current period	107,959	108,255
Capital surplus		
Balance at the beginning of current period	119,850	120,030
Changes of items during the period		
Issuance of common stock	179	296
Total changes of items during the period	179	296
Balance at the end of current period	120,030	120,327
Retained earnings		
Balance at the beginning of current period	13,183	5,459
Cumulative effect of changes in accounting policies	(2,812)	—
Retained earnings as restated	10,371	5,459
Changes of items during the period		
Cash dividends paid	(2,624)	(3,283)
Net (loss) income	(2,287)	19,413
Total changes of items during the period	(4,911)	16,130
Balance at the end of current period	5,459	21,590
Treasury stock		
Balance at the beginning of current period	(3,625)	(3,625)
Changes of items during the period		
Purchase of treasury stock	—	(0)
Total changes of items during the period	—	(0)
Balance at the end of current period	(3,625)	(3,625)
Total shareholders' equity		
Balance at the beginning of current period	237,187	229,824
Cumulative effect of changes in accounting policies	(2,812)	—
Retained earnings as restated	234,375	229,824
Changes of items during the period		
Issuance of common stock	359	592
Cash dividends paid	(2,624)	(3,283)
Net (loss) income	(2,287)	19,413
Purchase of treasury stock	—	(0)
Total changes of items during the period	(4,551)	16,722
Balance at the end of current period	229,824	246,546
Accumulated other comprehensive income		

(Millions of yen)

	Fiscal year ended December 31, 2011 (January 1 to December 31, 2011)	Fiscal year ended December 31, 2012 (January 1 to December 31, 2012)
Unrealized gains or losses on available-for-sale securities		
Balance at the beginning of current period	6,000	2,433
Changes of items during the period		
Net changes in items other than those in shareholders' equity	(3,567)	3,897
Total changes of items during the period	(3,567)	3,897
Balance at the end of current period	2,433	6,330
Deferred gains or losses on hedges		
Balance at the beginning of current period	(198)	53
Changes of items during the period		
Net changes in items other than those in shareholders' equity	251	(53)
Total changes of items during the period	251	(53)
Balance at the end of current period	53	—
Foreign currency translation adjustments		
Balance at the beginning of current period	(4,693)	(7,854)
Changes of items during the period		
Net changes in items other than those in shareholders' equity	(3,160)	9,669
Total changes of items during the period	(3,160)	9,669
Balance at the end of current period	(7,854)	1,814
Total accumulated other comprehensive income		
Balance at the beginning of current period	1,108	(5,367)
Changes of items during the period		
Net changes in items other than those in shareholders' equity	(6,475)	13,512
Total changes of items during the period	(6,475)	13,512
Balance at the end of current period	(5,367)	8,145
Subscription rights to shares		
Balance at the beginning of current period	957	1,184
Changes of items during the period		
Net changes in items other than those in shareholders' equity	227	521
Total changes of items during the period	227	521
Balance at the end of current period	1,184	1,706
Minority interests		
Balance at the beginning of current period	9,979	5,383
Changes of items during the period		
Net changes in items other than those in shareholders' equity	(4,595)	668
Total of changes of items during the period	(4,595)	668
Balance at the end of current period	5,383	6,052
Total net assets		
Balance at the beginning of current period	249,233	231,025
Cumulative effect of changes in accounting policies	(2,812)	—
Retained earnings as restated	246,421	231,025
Changes of items during the period		
Issuance of common stock	359	592

(Millions of yen)

	Fiscal year ended December 31, 2011 (January 1 to December 31, 2011)	Fiscal year ended December 31, 2012 (January 1 to December 31, 2012)
Cash dividends paid	(2,624)	(3,283)
Net (loss) income	(2,287)	19,413
Purchase of treasury stock	—	(0)
Net changes in items other than those in shareholders' equity	(10,844)	14,703
Total changes of items during the period	(15,395)	31,425
Balance at the end of current period	231,025	262,451



**(4) Consolidated Statements of Cash Flows**  
**For the fiscal years ended December 31, 2011 and 2012**

(Millions of yen)

	Fiscal year ended December 31, 2011 (January 1 to December 31, 2011)	Fiscal year ended December 31, 2012 (January 1 to December 31, 2012)
Net cash provided by operating activities		
(Loss) income before income taxes and minority interests	(15,017)	46,698
Depreciation and amortization	16,933	21,140
Amortization of goodwill	7,847	7,972
Impairment loss	645	18,661
Decrease in allowance for doubtful accounts	(768)	(4,462)
Loss on business restructuring	77,122	4,249
Other loss	7,080	121
Increase in notes and accounts receivable - trade	(4,266)	(9,769)
Decrease (increase) in accounts receivable - installment	13,538	(98,167)
Increase in beneficial interests in securitized assets	(88,644)	(65,536)
Decrease (increase) in operating loans receivable	22,697	(6,827)
Increase in notes and accounts payable - trade	21,218	14,543
Increase in accounts payable- other and accrued expenses	21,769	10,383
Increase in deposits for banking business	28,228	66,582
(Increase) decrease in call loans for banking business	(24,000)	42,000
Increase in loans for banking business	(29,797)	(33,793)
Decrease (increase) in operating assets for securities business	28,983	(54,355)
(Decrease) increase in operating liabilities for securities business	(21,544)	45,153
(Decrease) increase in borrowings secured by securities for securities business	(4,040)	8,730
Other - net	(7,801)	6,259
Subtotal	50,186	19,584
Increase in guarantee deposits for business operation	(391)	(927)
Decrease in guarantee deposits for business operation	2,176	8,431
Income taxes paid	(23,165)	(6,917)
Payments for business restructuring	(1,220)	—
Other	—	(662)
Net cash provided by operating activities	27,585	19,508
Net cash (used in) provided by investing activities		
Increase in time deposits	(9,945)	(6,349)
Decrease in time deposits	5,573	12,431

(Millions of yen)

	Fiscal year ended December 31, 2011 (January 1 to December 31, 2011)	Fiscal year ended December 31, 2012 (January 1 to December 31, 2012)
Purchase of securities for banking business	(390,827)	(254,060)
Proceeds from sales and redemption of securities for banking business	455,813	461,375
Purchase of property, plant and equipment	(3,825)	(5,111)
Purchase of intangible assets	(15,162)	(19,002)
Purchase of investment securities	(1,403)	(14,045)
Purchase of investments in subsidiaries	(7,497)	(5,108)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(7,483)	(37,068)
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	33,554	—
Other payments	(5,095)	(5,770)
Other proceeds	2,206	8,875
Interest and dividends received	444	382
Net cash provided by investing activities	56,351	136,548
Net cash provided by (used in) financing activities		
Net (decrease) increase in short-term loans payable	(19,235)	6,835
(Decrease) increase in commercial papers	(30,200)	14,000
Proceeds from long-term loans payable	173,350	28,210
Repayment of long-term loans payable	(143,537)	(86,268)
Redemption of bonds	(4,800)	(4,800)
Interest paid	(1,575)	(1,526)
Cash dividends paid	(2,630)	(3,285)
Other	(6,019)	(264)
Net cash used in financing activities	(34,648)	(47,099)
Effect of change in exchange rates on cash and cash equivalents	(1,171)	2,005
Net increase in cash and cash equivalents	48,117	110,963
Cash and cash equivalents at beginning of the year	100,736	149,752
Cash and cash equivalents of newly consolidated subsidiaries	898	266
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	—	(325)
Cash and cash equivalents at end of period	149,752	260,656

## (5) Note

### Consolidated Income Statements

\*1 The breakdown of selling, general and administrative expenses is as follows.

(Millions of yen)

	Fiscal year ended December 31, 2011 (January 1 to December 31, 2011)	Fiscal year ended December 31, 2012 (January 1 to December 31, 2012)
Advertisement and promotion expenses	40,926	58,698
Personnel expenses	53,746	60,188
Outsourcing expenses	25,253	30,149
Communications and maintenance expenses	14,692	15,355
Reserve for loss on interest repayments	4,264	—
Point costs	10,309	11,863
Provision for bonuses	2,964	2,672
Expenses for doubtful accounts	13,773	9,846
Depreciation	15,676	19,617
Others	52,273	62,398
<b>Total</b>	<b>233,879</b>	<b>270,790</b>

\*2 Impairment loss

The Rakuten Group recorded the following impairment losses in the year ended December 31, 2012

(Millions of yen)

Unit	Business use	Type of asset	Impairment loss
Buy. com Inc. (USA)	—	Goodwill	12,566
	Internet service business	Other intangible assets	5,778
—	—	Other	316

(Note) The Rakuten Group generally groups its assets by business unit except for idle assets and real estate for rent, which are assessed by individual properties.

During the fiscal year ended December 31, 2012, we reviewed the initial profit projections drawn up in the business plan developed at the time of share acquisition. As a result, goodwill and other intangible assets were written down to their recoverable values and the reduced amounts were recorded as impairment loss.

The recoverable values of goodwill and other intangible assets were deemed to be zero.

\*3 Losses associated with the business restructuring of the Play Holdings Limited Group were recorded as loss on business restructuring. Major losses were as follows.

Impairment loss on other intangible assets	¥2,140 million
Impairment loss on property, plant and equipment	¥219 million
Loss on valuation of inventories	¥526 million

## Segment Information

### A Segment

#### a. Reportable segment overview

The Rakuten Group, a provider of wide-range of internet related services, has aligned its businesses along two main axes, Internet services and Internet financial services, and reports its financial results by three reportable segments: Internet Services, Internet Finance, and Others.

The reportable segments of the Group are components for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors to make decisions about resource allocation and to assess performance.

Activities in the Internet Services segment consist of the operation of e-commerce sites, including the Rakuten Ichiba Internet shopping mall, travel booking sites, e-book business, portal sites and other sites, as well as services based on these sites, such as advertising and content.

Activities in the Internet Finance segment involve internet banking and securities services via the Internet, credit card services, insurance business, e-money services and other financial services.

Activities in the Others segment mainly consists of IP telephony services and the management of a professional baseball team.

#### b. Calculation of Sales and Operating Income (Loss) by Segment

The accounting policies of the reportable segments are substantially the same as those described in the summary of significant accounting policies. The presented sales and segment income or loss of reportable segments are those before the elimination of inter-segment transactions except for certain consolidated subsidiaries. Segment income or loss is calculated based on operating income after allocations of company-wide expenses. The Group does not allocate its assets to the business segments.

Intersegment sales and intersegment transfers are recorded at based current market value.

#### c. Segment Sales, Segment Income (Loss), and Other Items.

### Fiscal year ended December 31, 2011 (January 1 to December 31, 2011)

(Millions of yen)

	Reporting Segment				Adjustments (Note 1)	Amount in consolidated financial statements (Note 2)
	Internet Services	Internet Finance	Others	Total		
Sales						
Sales to customers	219,985	126,526	33,388	379,900	—	379,900
Intersegment sales and transfers	8,582	14,634	785	24,002	(24,002)	—
Total sales	228,567	141,160	34,174	403,903	(24,002)	379,900
Segment operating income	65,583	12,970	1,142	79,696	(8,907)	70,789
Other items						
Depreciation	8,085	6,819	1,831	16,736	197	16,933
Goodwill amortization	21	447	169	638	7,224	7,863

(Notes)

1. The ¥8,907 million adjustment to segment operating income consists mainly of a figure of ¥7,224 million for goodwill amortization that has not been allocated to the reporting segments, and ¥1,191 million for gains of the elimination of intercompany transactions.
2. Segment operating income is reconciled to operating profit in the consolidated income statements.

**Fiscal year ended December 31, 2012 (January 1 to December 31, 2012)**

(Millions of yen)

	Reporting Segment				Adjustments (Note 1)	Amount in consolidated financial statements (Note 2)
	Internet Services	Internet Finance	Others	Total		
Sales						
Sales to customers	274,425	136,669	32,378	443,474	—	443,474
Intersegment sales and transfers	11,388	19,760	891	32,040	(32,040)	—
Total sales	285,814	156,430	33,269	475,514	(32,040)	443,474
Segment operating income	58,639	23,714	1,585	83,938	(11,679)	72,259
Other items						
Depreciation	11,784	6,928	1,971	20,684	456	21,140
Goodwill amortization	20	129	169	319	7,686	8,005

(Notes)

1. The ¥11,679 million adjustment to segment operating income consists mainly of a figure of ¥7,686 million for goodwill amortization that has not been allocated to the reporting segments, and ¥369 million for gains of the elimination of intercompany transactions.
2. Segment operating income is reconciled to operating profit in the consolidated income statements.

**B. Related Information**

**Fiscal year ended December 31, 2012 (January 1 to December 31, 2012)**

a. Products and Services

(Millions of yen)

	Rakuten Ichiba	Rakuten Card	Rakuten Bank	Others	Total
Sales to customers	106,997	69,737	33,074	233,663	443,474

b. Geographical Segments

i. Sales

(Millions of yen)

Japan	Others	Total
384,956	58,517	443,474

(Note) Principal regions included in others are stated below.  
The Americas, Europe and Asia

ii. Property, Plant and Equipment

Disclosure of property, plant and equipment by geographic segment is omitted because such assets in Others are negligible.

c. Major Customers

Disclosure of sales to major external customers is omitted because net sales to any customer do not exceed 10% of consolidated net sales.

C. Impairment Loss of Non-current Assets

**Fiscal year ended December 31, 2012 (January 1 to December 31, 2012)**

(Millions of yen)

	Reporting Segment			
	Internet Services	Internet Finance	Others	Total (Note)
Impairment loss	21,014	—	7	21,021

(Note) Segment income or loss of the reporting segments is adjusted with operating profit or loss of the consolidated financial statements; therefore, it does not include impairment loss.

Internet Service segment recorded loss on business restructuring of ¥2,359 million under extraordinary losses for the amount of impairment loss on other intangible assets and etc. owned by Play Holdings Limited, arising from its business restructuring.

D. Goodwill Amortization and Carrying Value

**Fiscal year ended December 31, 2012 (January 1 to December 31, 2012)**

(Millions of yen)

	Reporting Segment			
	Internet Services	Internet Finance	Others	Total
Amortization (Note 1)	5,372	2,453	146	7,972
Carrying value (Note 2)	82,367	46,064	2,626	131,058

(Notes) 1. As stated in A-c "Segment Sales, Segment Income (Loss), and Other Items," goodwill amortization costs are included in the adjustments to operating income.

2. As stated in A-b "Calculation of Sales and Operating Income (Loss) by Segment," the carrying value of goodwill is not included in reporting business segments because assets are not allocated to segments.

**7. Parent Financial Statements**  
**(1) Parent Balance Sheets**  
**As of December 31, 2011 and 2012**

(Millions of yen)

	As of December 31, 2011	As of December 31, 2012
<b>(Assets)</b>		
<b>Current assets</b>		
Cash and deposits	4,728	5,541
Accounts receivable-trade	37,130	43,017
Short-term investment securities	43,000	3,500
Merchandise	1,089	2,296
Supplies	160	124
Prepaid expenses	1,118	1,237
Accounts receivable-other	6,078	9,206
Short-term loans receivable from subsidiaries and affiliates	8,685	7,728
Deferred tax assets - current	27,573	19,655
Other	2,394	1,372
Allowance for doubtful accounts - current	(394)	(389)
<b>Total current assets</b>	<b>131,565</b>	<b>93,292</b>
<b>Noncurrent assets</b>		
<b>Property, plant and equipment</b>		
Buildings, net	1,928	1,708
Tools, furniture and fixtures, net	3,783	3,562
Construction in progress	174	675
Other, net	304	247
<b>Total property, plant and equipment</b>	<b>6,190</b>	<b>6,193</b>
<b>Intangible assets</b>		
Patent right	137	942
Right of trademark	70	84
Software	12,319	13,106
Software in progress	2,157	2,530
Other	3	3
<b>Total intangible assets</b>	<b>14,689</b>	<b>16,667</b>
<b>Investments and other assets</b>		
Investment securities	2,543	2,700
Stocks of subsidiaries and affiliates	312,326	385,422
Investments in capital of subsidiaries and affiliates	300	300
Bonds of subsidiaries and affiliates	5,000	5,006
Long-term loans receivable from subsidiaries and affiliates	41,807	26,531
Claims provable in bankruptcy, claims provable in rehabilitation, and other	731	644
Long-term prepaid expenses	101	144
Lease and guarantee deposits	2,788	3,264
Deferred tax assets	10,094	-
Allowance for doubtful accounts	(731)	(644)
Allowance for investment loss	(1,339)	(1,213)
<b>Total investments and other assets</b>	<b>373,621</b>	<b>422,156</b>
<b>Total noncurrent assets</b>	<b>394,502</b>	<b>445,017</b>
<b>Total assets</b>	<b>526,067</b>	<b>538,309</b>

(Millions of yen)

	As of December 31, 2011	As of December 31, 2012
<b>(Liabilities)</b>		
Current liabilities		
Accounts payable-trade	3,784	4,045
Commercial papers	—	5,000
Short-term loans payable	27,341	21,314
Current portion of bonds	4,000	—
Accounts payable-other	12,337	13,261
Accrued expenses	8,196	9,722
Income taxes payable	241	535
Advances received	5,139	5,596
Deposits received	40,614	41,683
Provision for point card certificates	20,335	25,518
Provision for bonuses	2,218	1,940
Provision for directors' bonuses	224	111
Suspense receipt	134	137
Other	237	266
Total current liabilities	124,806	129,133
Noncurrent liabilities		
Long-term loans payable	127,348	100,942
Deferred tax liabilities - non-current	—	3,954
Asset retirement obligations	1,190	1,308
Other	198	101
Total noncurrent liabilities	128,736	106,306
Total liabilities	253,542	235,439
<b>(Net assets)</b>		
Shareholders' equity		
Common stock	107,959	108,255
Capital surplus		
Legal capital surplus	75,495	75,791
Other capital surplus	41,271	41,271
Total capital surplus	116,767	117,063
Retained earnings		
Other retained earnings		
Retained earnings brought forward	49,097	78,736
Total retained earnings	49,097	78,736
Treasury stock	(3,625)	(3,625)
Total shareholders' equity	270,198	300,430
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	1,087	996
Deferred gains or losses on hedges	53	—
Total valuation and translation adjustments	1,141	996
Subscription rights to shares	1,184	1,442
Total net assets	272,524	302,869
Total liabilities and net assets	526,067	538,309



**(2) Parent Income Statements**  
**For the fiscal years ended December 31, 2011 and 2012**

(Millions of yen)

	Fiscal year ended December 31, 2011 (January 1 to December 31, 2011)	Fiscal year ended December 31, 2012 (January 1 to December 31, 2012)
Net sales	146,603	163,708
Cost of sales	28,395	30,101
Gross profit	118,207	133,606
Selling, general and administrative expenses	66,880	71,291
Operating Income	51,327	62,315
Non-operating income		
Interest income	1,058	593
Dividends income	270	5,212
Other	236	725
Total non-operating income	1,565	6,531
Non-operating expenses		
Interest expenses	1,502	1,421
Corporate bond interest	111	44
Commission fee	1,716	457
Other	31	38
Total non-operating expenses	3,361	1,963
Ordinary income	49,531	66,883
Extraordinary income		
Reversal of allowance for doubtful accounts	124	—
Gain on sales of investment securities	—	63
Reversal of allowance for investment loss	390	298
Gain on transfer of business	—	69
Other	8	—
Total extraordinary income	522	431
Extraordinary loss		
Loss on retirement of noncurrent assets	797	419
Impairment loss	—	304
Loss on valuation of stocks of subsidiaries and affiliates	43	749
Loss on support to subsidiaries and affiliates	1,870	1,120
Provision of allowance for Investment loss	349	543
Loss on liquidation of subsidiaries and affiliates	108	1,571
Loss on business restructuring	74,435	7,600
Other	642	—
Total extraordinary losses	78,247	12,308
(Loss) income before income taxes	(28,192)	55,006
Income taxes-current	66	27
(Benefit) income taxes-deferred	(19,343)	22,055
Income tax (benefit) expense	(19,276)	22,083
Net (loss) income	(8,915)	32,923

**(3) Parent Statements of Changes in Net Assets**  
**For the fiscal years ended December 31, 2011 and 2012**

(Million of yen)

	Fiscal year ended December 31, 2011 (January 1 to December 31, 2011)	Fiscal year ended December 31, 2012 (January 1 to December 31, 2012)
Shareholders' equity		
Common stock		
Balance at the beginning of current period	107,779	107,959
Changes of items during the period		
Issuance of common stock	179	296
Total changes of items during the period	179	296
Balance at the end of current period	107,959	108,255
Capital surplus		
Legal capital surplus		
Balance at the beginning of current period	75,315	75,495
Changes of items during the period		
Issuance of common stock	179	296
Total changes of items during the period	179	296
Balance at the end of current period	75,495	75,791
Other capital surplus		
Balance at the beginning of current period	41,271	41,271
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	41,271	41,271
Total capital surplus		
Balance at the beginning of current period	116,587	116,767
Changes of items during the period		
Issuance of common stock	179	296
Total changes of items during the period	179	296
Balance at the end of current period	116,767	117,063
Retained earnings		
Other retained earnings		
Retained earnings brought forward		
Balance at the beginning of current period	62,434	49,097
Cumulative effect of changes in accounting policies	(1,797)	—
Retained earnings as restated	60,637	49,097
Changes of items during the period		
Cash dividends paid	(2,624)	(3,283)
Net (loss) income	(8,915)	32,923
Total changes of items during the period	(11,540)	29,639
Balance at the end of current period	49,097	78,736
Total retained earnings		
Balance at the beginning of current period	62,434	49,097
Cumulative effect of changes in accounting policies	(1,797)	—
Retained earnings as restated	60,637	49,097
Changes of items during the period		
Cash dividends paid	(2,624)	(3,283)
Net (loss) income	(8,915)	32,923

(Million of yen)

	Fiscal year ended December 31, 2011 (January 1 to December 31, 2011)	Fiscal year ended December 31, 2012 (January 1 to December 31, 2012)
Total changes of items during the period	(11,540)	29,639
Balance at the end of current period	49,097	78,736
Treasury stock		
Balance at the beginning of current period	(3,625)	(3,625)
Changes of items during the period		
Purchase of treasury stock	—	(0)
Total changes of items during the period	—	(0)
Balance at the end of current period	(3,625)	(3,625)
Total shareholders' equity		
Balance at the beginning of current period	283,175	270,198
Cumulative effect of changes in accounting policies	(1,797)	—
Retained earnings as restated	281,378	270,198
Changes of items during the period		
Issuance of common stock	359	592
Cash dividends paid	(2,624)	(3,283)
Net (loss) income	(8,915)	32,923
Purchase of treasury stock	—	(0)
Total changes of items during the period	(11,180)	30,232
Balance at the end of current period	270,198	300,430
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at the beginning of current period	2,625	1,087
Changes of items during the period		
Net changes in items other than those in shareholders' equity	(1,537)	(91)
Total changes of items during the period	(1,537)	(91)
Balance at the end of current period	1,087	996
Deferred gains or losses on hedges		
Balance at the beginning of current period	—	53
Changes of items during the period		
Net changes in items other than those in shareholders' equity	53	(53)
Total changes of items during the period	53	(53)
Balance at the end of current period	53	—
Total valuation and translation adjustments		
Balance at the beginning of current period	2,625	1,141
Changes of items during the period		
Net changes in items other than those in shareholders' equity	(1,483)	(144)
Total changes of items during the period	(1,483)	(144)
Balance at the end of current period	1,141	996
Subscription rights to shares		
Balance at the beginning of current period	957	1,184
Changes of items during the period		
Net changes in items other than those in shareholders' equity	227	257
Total changes of items during the period	227	257

(Million of yen)

	Fiscal year ended December 31, 2011 (January 1 to December 31, 2011)	Fiscal year ended December 31, 2012 (January 1 to December 31, 2012)
Balance at the end of current period	1,184	1,442
Total net assets		
Balance at the beginning of current period	286,758	272,524
Cumulative effect of changes in accounting policies	(1,797)	—
Retained earnings as restated	284,961	272,524
Changes of items during the period		
Issuance of common stock	359	592
Cash dividends paid	(2,624)	(3,283)
Net (loss) income	(8,915)	32,923
Purchase of treasury stock	—	(0)
Net changes in items other than those in shareholders' equity	(1,256)	112
Total changes of items during the period	(12,436)	30,344
Balance at the end of current period	272,524	302,869

**8. Quarterly Consolidated Financial Statements**  
**(1) Quarterly Consolidated Income Statements**  
**For the three months ended December 31, 2011 and 2012**

(Millions of yen)

	Three months ended December 31, 2011 (October 1 to December 31, 2011)	Three months ended December 31, 2012 (October 1 to December 31, 2012)
Net sales	109,442	133,848
Cost of sales	19,648	36,683
Gross profit	89,793	97,165
Selling, general and administrative expenses	*1 67,306	*1 78,725
Operating profit	22,487	18,439
Non-operating income		
Interest income	48	14
Foreign exchange gain	—	423
Other non-operating income	154	150
Total non-operating income	203	589
Non-operating expenses		
Interest expenses	453	353
Commission fee	520	182
Foreign exchange losses	225	—
Other non-operating expenses	134	178
Total non-operating expenses	1,334	714
Ordinary profit	21,356	18,314
Extraordinary gains		
Gain on step acquisitions	—	2,978
Other extraordinary gains	145	80
Total extraordinary gains	145	3,058
Extraordinary losses		
Impairment loss	635	18,357
Loss on business restructuring	634	4,249
Other extraordinary losses	575	2,976
Total extraordinary losses	1,845	25,583
Income (loss) before income taxes and minority interests	19,656	(4,210)
Income taxes - current	1,681	343
Income taxes - deferred	805	4,738
Income tax expense	2,487	5,082
Income (loss) before minority interests	17,169	(9,292)
Minority interests in income	254	287
Net income (loss)	16,914	(9,580)

## (2) Business Segment Information

For the three months ended December 31, 2011 (October 1 to December 31, 2011)

(Millions of Yen)

	Reporting Segment				Adjustment (Note1)	Amount in quarterly consolidated income statements (Note2)
	Internet Services	Internet Finance	Others	Total		
Net sales	74,746	34,130	7,570	116,448	(7,006)	109,442
Segment operating income (loss)	20,397	4,966	(238)	25,125	(2,637)	22,487

(Notes)

1. The ¥2,637 million adjustment to segment operating income consists mainly of goodwill amortization that has not been allocated to the reporting segments.
2. Segment operating income (loss) is reconciled to operating profit in the quarterly consolidated income statements.

For the three months ended December 31, 2012 (October 1 to December 31, 2012)

(Millions of Yen)

	Reporting Segment				Adjustment (Note1)	Amount in quarterly consolidated income statements (Note2)
	Internet Services	Internet Finance	Others	Total		
Net sales	89,314	46,101	7,452	142,868	(9,019)	133,848
Segment operating income (loss)	13,845	8,167	(202)	21,809	(3,370)	18,439

(Notes)

1. The ¥3,370 million adjustment to segment operating income consists mainly of goodwill amortization that has not been allocated to the reporting segments.
2. Segment operating income (loss) is reconciled to operating profit in the quarterly consolidated income statements.

## (3) Note to the Consolidated Income Statements

Quarterly Consolidated Income Statements

\*1 The breakdown of selling, general and administrative expenses is as follows.

(Millions of yen)

	For the three months ended December 31, 2011 (From October 1 to December 31, 2011)	For the three months ended December 31, 2012 (From October 1 to December 31, 2012)
Advertisement and promotion expenses	18,436	20,300
Personnel expenses	16,505	18,494
Outsourcing expenses	6,760	8,432
Communications and maintenance expenses	3,686	4,101
Point costs	2,635	3,742
Provision for bonuses	(1,636)	(1,617)
Expenses for doubtful accounts	1,897	2,435
Depreciation	4,120	5,330
Others	14,901	17,505
Total	67,306	78,725