Rakuten

The following information was originally prepared and published by the Company in Japanese as it contains timely disclosure materials to be submitted to the Tokyo Stock Exchange. This English summary translation is for your convenience only. To the extent there is any discrepancy between this English translation and the original Japanese version, please refer to the Japanese version. The following financial information was prepared in accordance with International Financial Reporting Standards ("IFRS").

Consolidated Financial Reports (IFRS)
For the Fiscal Year ended December 31, 2013

Rakuten, Inc.
February 14, 2014

Company name	Rakuten, Inc.		Listed	Tokyo Stock Exchange
Code No	4755		URL	http://www.rakuten.co.jp/
Representative	(Title) Chairman and CEO	(Name)	Hiroshi Mikitani	
Contact person	(Title) CFO	(Name)	Yoshihisa Yamada	

Scheduled date of the Annual General Meeting of Shareholders: March 28, 2014
Scheduled date of commencement of dividend payment: March 31, 2014
Scheduled date of filing the securities report: March 28, 2014
Supplementary materials for financial results: Yes
Financial results information meeting held: Yes (For institutional investors and analysts)

1. Consolidated Results for the Fiscal Year ended December 31, 2013 (January 1 – December 31, 2013)

(Yen amounts are rounded to the nearest million)

(1) Consolidated Operating Results

(%, YoY)

	Revenue		Operating income		Income before income tax		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended December 31, 2013	518,568	29.5	90,244	80.3	88,610	80.4	43,481	105.7
Fiscal year ended December 31, 2012	400,444	―	50,055	―	49,106	―	21,136	―

	Net income attributable to owners of the parent company		Comprehensive income		Basic Earnings per Share attributable to owners of the parent company	Diluted Earnings per Share attributable to owners of the parent company
	Millions of yen	%	Millions of yen	%	Yen	Yen
Fiscal year ended December 31, 2013	42,900	109.4	67,881	115.0	32.60	32.41
Fiscal year ended December 31, 2012	20,489	―	31,574	―	15.59	15.56

	ROE (Return on equity attributable to owners of the parent company)	ROA (Ratio of income before income tax to total assets)	OP margin (Ratio of operating income to net sales)
	%	%	%
Fiscal year ended December 31, 2013	16.0	3.2	17.4
Fiscal year ended December 31, 2012	9.2	2.3	12.5

(Notes)

1. Share of income of associates and joint ventures: 131 million yen (Fiscal year ended December 31, 2013)
   1,423 million yen (Fiscal year ended December 31, 2012)
2. Rakuten, Inc. made a 100-for-1 stock split for shares of its common stock on July 1, 2012. Basic Earnings per Share and Diluted Earnings per Share were calculated under the assumption that the stock split took effect at the beginning of the previous fiscal year.

(2) Consolidated Financial Position

	Total assets	Total equity	Total equity attributable to owners of the parent company	Ratio of total equity attributable to owners of the parent company to total assets	Total equity attributable to owners of the parent company per Share
	Millions of yen	Millions of yen	Millions of yen	%	Yen
As of December 31, 2013	3,209,808	306,454	300,063	9.3	227.70
As of December 31, 2012	2,287,634	241,912	235,942	10.3	179.48

(3) Consolidated Cash Flows

	Net Cash Flows from Operating Activities	Net Cash Flows from Investment Activities	Net Cash Flows from (used in) 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, 2013	1,485	30,584	75,252	384,008
Fiscal year ended December 31, 2012	104,687	67,440	(56,820)	270,114

2. Dividend Distribution

	Dividend per Share					Total Dividend (Year)	Dividend Ratio (Consolidated)	Ratio of Dividend to total equity attributable to owners of the parent company (Consolidated)
	1Q	2Q	3Q	4Q	Year			
	Yen	Yen	Yen	Yen	Yen	Millions of Yen	%	%
FY2012	—	0.00	—	3.00	3.00	3,944	19.2	1.8
FY2013	—	0.00	—	4.00	4.00	5,271	12.3	2.0
FY2014 (Forecast)	—	—	—	—	—		—	

Note: Dividend per share for the fiscal year ending December 31, 2014 has not been decided yet.

3. Forecast of Consolidated Operating Results for Fiscal 2014 (January 1 to December 31, 2014)

Consolidated revenue and operating income in Fiscal 2014, excluding the securities business whose results are heavily impacted by stock market (and excluding additional line items, if any), are expected to surpass the levels of Fiscal 2013. For details, see page P. 6 Qualitative Information, Financial Statements etc. (iii) Outlook for the Coming Year.

Notes

(1) Changes in significant subsidiaries during the current period
(Changes in specified subsidiaries resulting in change in scope of consolidation): No
New — (Company name —) Excluded — (Company name —)

(2) Changes in accounting policies and changes in accounting estimates

1. Changes in accounting policies as required under IFRS: Yes
2. Changes in accounting policies due to other reasons: No
3. Changes in accounting estimates: No

(3) Number of shares issued (Common stock)

1. Total number of shares issued at the end of the year (including treasury stocks)
   1,323,863,100 shares (As of December 31, 2013)
   1,320,626,600 shares (As of December 31, 2012)
2. Number of treasury stocks at the end of the year
   6,033,466 shares (As of December 31, 2013)
   6,007,996 shares (As of December 31, 2012)
3. Average number of shares during the year (cumulative from the beginning of the year)
   1,315,996,855 shares (January 1 – December 31, 2013)
   1,313,987,266 shares (January 1 – December 31, 2012)

(Note) Rakuten, Inc. made a 100-for-1 stock split regarding shares of its common stock on July 1, 2012. Average number of shares during the period is calculated under the assumption that the stock split took effect at the beginning of the previous fiscal year.

Indication regarding execution of audit procedures

➢ This financial report is not intended for the audit based on the Financial Instruments and Exchange Act. At the time of disclosure of this financial results report, the audit procedures for consolidated financial statements in accordance with the Financial Instruments and Exchange Act are not completed.

Explanation about the appropriate use of earnings forecasts, and other special matters

➢ The Rakuten Group adopted IFRS for the first time in the year ended December 31, 2012, and from the previous year (December 2012 period) we disclosed consolidated financial statements under the provisions of Article 93 of the Rules on Consolidated Financial Statements.
➢ Consolidated forecasts for the year ending December 31, 2014 are based on information that is available at the time of writing, but a number of known and unknown factors could cause actual results to differ from the projections.

1. Qualitative Information, Financial Statements, etc.

(1) Qualitative Information Concerning Consolidated Business Results

(i) Business Results for the Fiscal Year Ended December 31, 2013

In the world economy during the fiscal year ended December 31, 2013, the European debt crisis and slowdown in economic growth in newly developing regions posed risks of an economic downturn. Meanwhile, in the Japanese economy, the recovery trend has been strong, as consumer sentiment recovered and business confidence of companies improved against the backdrop of a rise in stock prices in response to monetary easing measures and other factors.

Under such environment, the Rakuten Group promoted Rakuten Ichiba's BtoBtoC marketplace model to the world mainly through enhancement of its services for smart devices (smartphones and tablet devices) whose users have been increasing in number at exponential rates, marketing which utilizes big data, and execution of large-scale sales events such as the Rakuten Super Sale. We also worked on enhancing logistics services such as Rakuten Super Logistics, our logistics agency services for clients. In the Internet Finance business segment, we proactively reinforced the membership base and expanded the business centering on Rakuten Card, which has notable synergies with Internet Services. The revitalization of the domestic stock market also contributed to the growth in profits of the finance services. Furthermore, we proactively developed our e-book services as well as video streaming services in Japan and abroad with the aim of strengthening the digital contents services which we position as one of the pillars of our future growth strategy. Through these measures, the Rakuten Eco-System continues to show solid expansion and growth.

As a result of these efforts, the Rakuten Group for the fiscal year ended December 31, 2013 achieved revenue of ¥518,568 million (up 29.5% year on year), operating income of ¥90,244 million (up 80.3% year on year), and net income attributable to owners of the parent company of ¥42,900 million (up 109.4% year on year).

(Millions of yen)

	Fiscal year ended December 31, 2012	Fiscal year ended December 31, 2013	Amount Change YoY	% Change YoY
Revenue	400,444	518,568	118,124	29.5%
Operating income	50,055	90,244	40,189	80.3%
Net income attributable to owners of the parent company	20,489	42,900	22,411	109.4%

(ii) Segment Information

Business results for each segment are as follows:

Internet Services

In the Internet Services segment for the fiscal year ended December 31, 2013, Rakuten actively worked on strengthening its services for smart devices, promoting personalized marketing which utilizes big data, and executing large-scale sales events such as Rakuten Super Sale and the special sale to celebrate the first victory of Tohoku Rakuten Golden Eagles baseball team ("Rakuten Eagles") in the Nippon Series, among other initiatives in its core Rakuten Ichiba service. We also strove to enhance our logistics services in line with the BtoBtoC marketplace model through Rakuten Super Logistics, etc. As a result of these initiatives, the number of unique buyers and order numbers performed strongly, with the domestic e-commerce gross merchandise sales rising by 19.8% over the previous fiscal year, as the segment continues to see a high level of growth. In Travel services, leisure travel sales, car rental and inbound services (services for reservations from foreign language websites) were strong, resulting in a 15.2% year-on-year increase in gross transaction value.

In its overseas ventures, Rakuten focused on marketplace-model services while also

horizontally rolling out a range of strategic expertise including the points programs and Rakuten Super Sale, which have proven successful in Japan. Consequently, gross merchandise sales for these services have grown and are contributing to the expansion of operations.

In addition, we offered the e-book service of kobo and new products and services in the video streaming services with a view to strengthening digital contents services.

As a result, revenue for the segment rose to ¥315,228 million, a 16.6% year-on-year increase. While advance investments are continued to be made in future growth fields, profit from existing businesses grew steadily, resulting in segment profit of ¥47,455 million. Year on year, this represented an 87.5% increase, due in part to the backlash from the posting of impairment loss in the previous fiscal year.

(Millions of yen)

	Fiscal year ended December 31, 2012	Fiscal year ended December 31, 2013	Amount Change YoY	% Change YoY
Segment Revenue	270,255	315,228	44,973	16.6%
Segment Profit	25,305	47,455	22,150	87.5%

Internet Finance

In the Internet Finance segment for the fiscal year ended December 31, 2013, in credit card and related services, the shopping transaction value, accompanying an increase in Rakuten Card membership, rose 42.0% over the previous fiscal year. Moreover, solid growth in revolving shopping balances resulted in a rise in income including commission income, and notable growth continues in profit. In securities services, revenue and profit grew substantially, including a year-on-year growth of 236.9% in domestic stock transaction payments, due to the revitalization of the financial market. In banking services, solid growth in loan balances led to increased interest income from loans.

As a result of the above, the Internet Finance segment recorded ¥201,494 million in revenue (59.2% increase over the previous fiscal year) while segment profit was ¥44,174 million (117.8% increase over the previous fiscal year).

(Millions of yen)

	Fiscal year ended December 31, 2012	Fiscal year ended December 31, 2013	Amount Change YoY	% Change YoY
Segment Revenue	126,562	201,494	74,932	59.2%
Segment Profit	20,284	44,174	23,890	117.8%

Others

During the fiscal year ended December 31, 2013, operating profit in the Others segment firmed up as telecommunications services were strong due to the growth of cloud services and call services for smartphones such as Rakuten Denwa in addition to improvements in management optimization. In the professional sports division, the first victory in the Nippon Series since the establishment of the Rakuten Eagles contributed to a record high attendance numbers as well as robust sales of related goods.

As a result, revenue for the segment was ¥35,746 million, a 7.4% year-on-year increase, while segment profit grew 33.2% year on year to ¥3,762 million.

(Millions of yen)

	Fiscal year ended December 31, 2012	Fiscal year ended December 31, 2013	Amount Change YoY	% Change YoY
Segment Revenue	33,271	35,746	2,475	7.4%
Segment Profit	2,825	3,762	937	33.2%

(iii) Outlook for the Coming Year

The outlook for each segment is as follows.

<Internet Services>

Strong growth in revenue is expected for Rakuten Ichiba and Travel services, and corresponding growth in profit is expected. Although it is possible that the growth rate in the second half of the fiscal year ending December 31, 2014 will be relatively moderate compared to the second half of the fiscal year ended December 31, 2013 where first victory sale of the Tohoku Rakuten Golden Eagles baseball team (“Rakuten Eagles”) in the Nippon Series had considerable effect, the upward trend in gross transaction value is expected to maintain its strong momentum amid market expansion, enhancements to Rakuten Group services, and other factors.

Meanwhile, while medium- to long-term profit growth is expected, Rakuten plans to make strategic advance investments in new businesses such as contents services and logistics services, which are just emerging.

<Internet Finance>

In credit card and related services, revenue growth is expected to be high, on a level with that of the fiscal year ended December 31, 2013. Even taking into consideration the rise in marketing costs associated with capturing new members, profit is expected to surpass that of the fiscal year ended December 31, 2013. In banking services, robust profit is expected following an increase in assets. Meanwhile, it is difficult to make a forecast for securities services due to the substantial impact of stock market conditions. However, domestic stock transaction payments in January, which are an important indicator for securities services, stood at ¥4,571,642 million (30.5% increase over the same month in the previous fiscal year.)

<Others>

Stable profit growth is expected in telecommunications services. In the professional sports division, temporary profit is expected as a result of transfer fee revenue associated with the transfer of key players; however, earnings such as ticket revenue and sponsor revenue may be affected by the performance of the Rakuten Eagles.

(2) Analysis Concerning Financial Position

i) Assets, Liabilities, and Net Assets

Assets

Total assets at the end of the fiscal year on December 31, 2013 amounted to ¥3,209,808 million, an increase of ¥922,174 million from ¥2,287,634 million at the end of the previous fiscal year. Primary factors were a ¥98,429 million decline in investment securities for banking business, an amount offset by an increase of ¥603,284 million in financial assets for securities business backed by lively trading in the financial markets, an increase of ¥141,896 million in loans for credit card business in conjunction with an increase of credit card receivables, an increase of ¥50,149 million in loans for banking business associated with an increase in personal loans, and an increase of ¥47,867 million in intangible assets associated with factors such as the acquisition of Viki (USA) as well as exchange rate fluctuations.

Liabilities

Total liabilities at the end of the fiscal year on December 31, 2013 were ¥2,903,354 million, an increase of ¥857,632 million from ¥2,045,722 million at the end of the previous fiscal year. Primary factors were a ¥519,916 million rise in financial liabilities for securities business due mainly to an expansion in consignment trades for securities, an increase of ¥150,429 million in deposits for banking business, a ¥84,497 million increase in bonds and borrowings mainly due to an increase in commercial papers and the borrowing of call loans in the securities business.

Equity

Equity at the end of the fiscal year on December 31, 2013 stood at ¥306,454 million, an increase of ¥64,542 million compared with the ¥241,912 million at the end of the previous fiscal year. Primary factors were a ¥40,353 million increase in retained earnings resulting from factors including ¥42,900 million in net income attributable to owners of the parent company for the fiscal year ended December 31, 2013 and cash dividends paid of ¥3,944 million, and a ¥18,273 million rise in foreign currency translation adjustments resulting from fluctuations in the foreign exchange market.

ii) Cash Flows

Cash and cash equivalents at the end of the fiscal year ended December 31, 2013 was ¥384,008 million, an increase of ¥113,894 million from the end of the previous fiscal year. Cash flow conditions and their major factors for the fiscal year ended December 31, 2013 are as follows:

Net cash flows from operating activities

Net cash flows from operating activities for the fiscal year ended December 31, 2013 resulted in a cash inflow of ¥1,485 million (compared with a cash inflow of ¥104,687 million for the previous fiscal year). Primary factors included a cash outflow of ¥141,895 million for an increase in loans for credit card business, a net cash outflow of ¥83,368 million following changes in financial assets and financial liabilities for securities business due to the revitalization of the financial market (a cash outflow of ¥603,284 million for an increase in financial assets and a cash inflow of ¥519,916 million for an increase in financial liabilities), a cash outflow of ¥50,149 million for an increase in loans for banking business, and a cash outflow of ¥32,000 million for an increase in call loans for banking business, a cash inflow of ¥150,429 million for an increase in deposits for banking business; a cash inflow of ¥88,610 million for income before income tax; and the recording of non-cash flow items including ¥26,086 million for depreciation and amortization.

Net cash flows from investing activities

Net cash flows from investing activities for the fiscal year ended December 31, 2013 resulted in a cash inflow of ¥30,584 million (compared with a cash inflow of ¥67,440 million for the previous fiscal year). Primary factors included: a cash outflow of ¥30,198 million for acquisition of subsidiaries; a cash outflow of ¥22,412 million for purchase of intangible assets including software; and a net cash inflow of ¥100,666 million for proceeds from sales and redemption of investment securities for banking business (a cash

outflow of ¥150,512 million for purchase of investment securities and a cash inflow of ¥251,178 million for proceeds from sales and redemption of investment securities).

Net cash flows from financing activities

Net cash flows from financing activities for the fiscal year ended December 31, 2013 resulted in a cash inflow of ¥75,252 million (compared with a cash outflow of ¥56,820 million for the previous fiscal year). Primary factors included a cash outflow of ¥66,966 million for repayment of long-term debt, a cash inflow of ¥63,210 million for proceeds from long-term debt, a cash inflow of ¥62,305 million for net increase in short-term borrowings, and a cash inflow of ¥23,000 million for an increase in commercial papers.

(Reference) Cash Flows Index

	FY2012	FY2013
Ratio of total equity attributable to owners of the parent company to total assets (%)	10.3%	9.3%
Ratio of total equity attributable to owners of the parent company to market capitalization (%)	38.7%	64.2%
Ratio of cash flows to interest- bearing liabilities (X)	2.9	264.2
Interest coverage ratio (X)	67.8	1.1

(Notes)
1. Ratio of total equity attributable to owners of the parent company to total assets: total equity attributable to owners of the parent company /total assets
2. Ratio of total equity attributable to owners of the parent company 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 year multiplied by the total number of shares issued and outstanding at the end of the year.
   (3) “Cash flow” stands for cash flows from operating activities.

2. Policy Concerning Decisions on Dividends of Surplus and Dividend Forecast

Under its basic policy for return of profit, the Company has constantly been paying dividends, while fully aware of the necessity to maintain sound financial position, and to provide sufficient retained earnings for active business development in the future, with the ultimate aim to maximize its corporate value.

For the current fiscal year, the Company decided to pay dividend of ¥4 per share (including ¥1 of commemorative dividend for listing on the First Section of the Tokyo Stock Exchange. ¥3 per share for the previous fiscal year), by the resolution of the Meeting of the Board of Directors held on February 14, 2014, in accordance with the aforementioned basic policy.

(Reference) Trends in dividend per share (after adjustment for the share split)

	Fiscal year ended December 31, 2009	Fiscal year ended December 31, 2010	Fiscal year ended December 31, 2011	Fiscal year ended December 31, 2012	Fiscal year ended December 31, 2013
Dividend per share (yen)	1.00	2.00	2.50	3.00	4.00

(Note) The Company conducted a 100 for one share split of its common stock on July 1, 2012.

(Reason for difficulty in making a dividend forecast)

The company’s policy to maintain stable dividends runs alongside our desire to retain sufficient income to build the reserves needed to develop our operations and maintain a sound financial structure. Allowing for flexible judgment in the fiscal year ending December 31, 2014, a dividend forecast is not provided.

3. 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 the world's foremost 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) revenue, operating profit, and net income, 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, digital contents, and financial services. Our goal is to achieve synergistic benefits that include the 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 proactively develop new service offerings including enhanced services for smart devices, e-book services, and video streaming services. We will also proceed with effective marketing programs for building user loyalty, such as ones that make use of Rakuten Super Points and big data.

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 and strengthening of regional headquarters functions, 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.

Through the growth of the Rakuten Group over the medium- to long-term future, Rakuten aims not only to energize communities in Japan and other countries where it is active but also to contribute to economic prosperity in Japan and globally.

4. 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 of business environment.

(1) Corporate governance

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 enhance our business speed and quality. Furthermore, we will strengthen corporate governance through expanding the functions of our regional headquarters in accordance with globalization of our businesses, strengthening of our risk management system and business management structure, and developing human resources. Through these initiatives, we will strive to build a corporate brand that will be trusted by our stakeholders.

(2) Business strategy

The Rakuten Group 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.

1) Internet services

In Internet services, particularly e-commerce and travel, we will work with our partner companies to lift user satisfaction through efforts including creating more new services for smart devices, expanding our product lineup, improving the quality of deliveries, and providing services in multiple channels.

2) Financial services

By offering financial services in such areas as credit cards, net banking and online securities, 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.

3) Digital contents services

We will aim to provide greater value to our users through new digital contents services including our e-book services and video streaming services.

(3) Development of technology

In order to ensure stable and efficient operations, we will aim to build a globally unified e-commerce platform. Moreover, we will promote research and development related to foundation of analysis and methodology for data sets including big data and build a system that easy to use for our users. We will 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.

Rakuten

3. Consolidated Financial Statements (Summary)
(1) Consolidated Statement of Financial Position (Summary)

(Millions of Yen)

	As of December 31, 2012	As of December 31, 2013
(Assets)		
Cash and cash equivalents	270,114	384,008
Accounts receivable - trade	65,493	73,443
Financial assets for securities business	615,703	1,218,987
Loans for credit card business	402,418	544,314
Investment securities for banking business	296,326	197,897
Loans for banking business	189,669	239,818
Investment securities for insurance business	13,623	10,233
Derivative assets	10,674	12,588
Investment securities	23,411	34,025
Other financial assets	123,132	159,058
Investments in associates and joint ventures	6,601	8,189
Property, plant and equipment	24,143	30,408
Intangible assets	188,014	235,881
Deferred tax assets	40,546	31,594
Other assets	17,767	29,365
Total assets	2,287,634	3,209,808

(Millions of Yen)

	As of December 31, 2012	As of December 31, 2013
Liabilities		
Accounts payable - trade	79,965	115,357
Deposits for banking business	809,531	959,960
Financial liabilities for securities business	558,055	1,077,971
Derivative liabilities	4,685	8,023
Bonds and borrowings	305,186	389,683
Other financial liabilities	210,048	226,771
Income taxes payable	2,873	30,191
Provisions	29,614	41,020
Policy reserves and others for insurance business	18,496	18,852
Deferred tax liabilities	6,416	9,123
Other liabilities	20,853	26,403
Total liabilities	2,045,722	2,903,354
Equity		
Equity attributable to owners of the parent company		
Common stock	108,255	109,530
Capital surplus	116,599	116,555
Retained earnings	20,873	61,226
Treasury stock	(3,626)	(3,649)
Other components of equity	(6,159)	16,401
Total equity attributable to owners of the parent company	235,942	300,063
Non-controlling interests	5,970	6,391
Total equity	241,912	306,454
Total liabilities and equity	2,287,634	3,209,808

(2) Consolidated Statements of Income and Comprehensive Income (Summary)

Consolidated Statement of Income (Summary)
(For the fiscal years ended December 31, 2012 and 2013)

(Millions of yen)

	Fiscal year ended December 31, 2012 (January 1 to December 31, 2012)	Fiscal year ended December 31, 2013 (January 1 to December 31, 2013)
Continuing Operations		
Revenue	400,444	518,568
Operating expenses	319,435	420,374
Other income	3,365	1,831
Other expenses	5,581	9,781
Additional line items	(28,738)	-
Operating income	50,055	90,244
Financial income	193	197
Financial expenses	2,565	1,962
Share of income of associates and joint ventures	1,423	131
Income before income tax	49,106	88,610
Income tax expense	27,970	45,129
Net income	21,136	43,481
Net income attributable to:		
Owners of the parent company	20,489	42,900
Non-controlling interests	647	581
Net income	21,136	43,481

(Yen)

Earnings per share attributable to owners of the parent company		
Basic	15.59	32.60
Diluted	15.56	32.41

Consolidated Statement of Comprehensive Income (Summary)
(For the fiscal years ended December 31, 2012 and 2013)

(Millions of yen)

	Fiscal year ended December 31, 2012 (January 1 to December 31, 2012)	Fiscal year ended December 31, 2013 (January 1 to December 31, 2013)
Net income	21,136	43,481
Other comprehensive income		
Items that will not be reclassified to net income		
Gains (losses) on financial assets measured at fair value through other comprehensive income	(72)	9,500
Income tax effect of gains and losses on financial assets measured at fair value through other comprehensive income	(51)	(3,330)
Share of other comprehensive income of associates and joint ventures	28	54
Total items that will not be reclassified to net income	(95)	6,224
Items that will be reclassified to net income		
Foreign currency translation adjustments	10,362	18,294
Gains (losses) on cash flow hedges recognized in other comprehensive income	(447)	(407)
Income tax effect of gains or losses on cash flow hedges recognized in other comprehensive income	176	145
Gains (losses) on cash flow hedges reclassified from other comprehensive income to net income	713	227
Income tax effect of gains or losses on cash flow hedges reclassified from other comprehensive income to net income	(271)	(83)
Total items that will be reclassified to net income	10,533	18,176
Other comprehensive income, net of tax	10,438	24,400
Comprehensive income	31,574	67,881
Comprehensive income attributable to:		
Owners of the parent company	30,907	67,253
Non-controlling interests	667	628
Comprehensive income	31,574	67,881

(3) Consolidated Statement of Changes in Equity (Summary)

(Millions of yen)

	Common stock	Capital surplus	Retained earnings	Treasury stock	Other components of equity: Foreign currency translation adjustments	Other components of equity: Financial instruments measured at fair value through other comprehensive income	Other components of equity: Cash flow hedges	Other components of equity: Total other components of equity	Total equity attributable to owners of the parent company	Non-controlling interests	Total equity
As of January 1, 2012	107,959	116,864	3,641	(3,626)	(18,123)	2,026	(374)	(16,471)	208,367	3,979	212,346
Comprehensive income											
Net income			20,489						20,489	647	21,136
Other comprehensive income, net of tax					10,341	(94)	171	10,418	10,418	20	10,438
Total comprehensive income	—	—	20,489	—	10,341	(94)	171	10,418	30,907	667	31,574
Transactions with owners											
Contributions by and distributions to owners											
Issuance of common stock	296	296							592		592
Cash dividends paid			(3,284)						(3,284)		(3,284)
Reclassification from other components of equity to retained earnings			106			(106)		(106)	—		—
Others		334	(79)	(0)					255		255
Total contributions by and distributions to owners	296	630	(3,257)	(0)	—	(106)	—	(106)	(2,437)	—	(2.437)
Changes in ownership interests in subsidiaries											
Issuance of common stock										30	30
Acquisitions and disposals of non-controlling interests		(494)							(494)	1,380	886
Others		(401)							(401)	(86)	(487)
Total changes in ownership interests in subsidiaries	—	(895)	—	—	—	—	—	—	(895)	1,324	429
Total transactions with owners	296	(265)	(3,257)	(0)	—	(106)	—	(106)	(3,332)	1,324	(2,008)
As of December 31, 2012	108,255	116,599	20,873	(3,626)	(7,782)	1,826	(203)	(6,159)	235,942	5,970	241,912
Comprehensive income											
Net income			42,900						42,900	581	43,481
Other comprehensive income net of tax					18,273	6,198	(118)	24,353	24,353	47	24,400
Total comprehensive income	—	—	42,900	—	18,273	6,198	(118)	24,353	67,253	628	67,881
Transactions with owners											
Contributions by and distributions to owners											
Issuance of common stock	1,275	1,275							2,550		2,550
Cash dividends paid			(3,944)						(3,944)		(3,944)
Reclassification from other components of equity to retained earnings			1,793			(1,793)		(1,793)	—		—
Others		812	(396)	(23)					393		393
Total contributions by and distributions to owners	1,275	2,087	(2,547)	(23)	—	(1,793)	—	(1,793)	(1,001)	—	(1,001)

Changes in ownership interests in subsidiaries											
Issuance of common stock										50	50
Acquisitions and disposals of non-controlling interests		(2,135)							(2,135)	(208)	(2,343)
Others		4							4	(49)	(45)
Total changes in ownership interests in subsidiaries	—	(2,131)	—	—	—	—	—	—	(2,131)	(207)	(2,338)
Total transactions with owners	1,275	(44)	(2,547)	(23)	—	(1,793)	—	(1,793)	(3,132)	(207)	(3,339)
As of December 31, 2013	109,530	116,555	61,226	(3,649)	10,491	6,231	(321)	16.401	300,063	6,391	306,454

Rakuten

(4) Consolidated Statement of Cash Flows (Summary)

(Millions of Yen)

	Fiscal year ended December 31, 2012 (January 1 to December 31, 2012)	Fiscal year ended December 31, 2013 (January 1 to December 31, 2013)
Cash flows from operating activities		
Income before income tax	49,106	88,610
Depreciation and amortization	21,227	26,086
Other loss	30,010	5,509
Increase in operating receivables	(9,379)	(3,035)
Increase in loans for credit card business	(96,287)	(141,895)
Increase in deposits for banking business	66,941	150,429
Decrease (Increase) in call loans for banking business	42,000	(32,000)
Increase in loans for banking business	(35,113)	(50,149)
Increase in operating payables	14,284	29,464
Increase in accounts payable — other and accrued expenses	10,852	6,768
Increase in financial assets for securities business	(200,103)	(603,284)
Increase in financial liabilities for securities business	193,565	519,916
Others	24,501	16,374
Income tax paid	(6,917)	(11,308)
Net cash flows from operating activities	104,687	1,485
Cash flows from investing activities		
Decrease in time deposits	(6,349)	(8,089)
Increase in time deposits	12,431	5,155
Purchase of property, plant and equipment	(5,162)	(10,018)
Purchase of intangible assets	(18,949)	(22,412)
Acquisition of subsidiaries	(35,076)	(30,198)
Purchase of investment securities for banking business	(253,991)	(150,512)
Proceeds from sales and redemption of investment securities for banking business	385,115	251,178
Purchase of investment securities for insurance business	(750)	(6,228)
Proceeds from sales and redemption of investment securities for insurance business	1,034	9,591
Purchase of investment securities	(15,637)	(4,728)
Proceeds from sales and redemption of investment securities	3,324	5,654
Other payments	(3,450)	(10,418)
Other proceeds	4,900	1,609
Net cash flows from investing activities	67,440	30,584
Cash flows from financing activities		
Net increase in short-term borrowings	6,607	62,305
Increase in commercial papers	14,000	23,000
Proceeds from long-term debt	30,100	63,210
Repayment of long-term debt	(90,168)	(66,966)
Cash dividends paid	(3,286)	(3,962)
Others	(14,073)	(2,335)
Net cash flows (used in) from financing activities	(56,820)	75,252
Effect of change in exchange rates on cash and cash equivalents	2,006	6,573

(Millions of Yen)

	Fiscal year ended December 31, 2012 (January 1 to December 31, 2012)	Fiscal year ended December 31, 2013 (January 1 to December 31, 2013)
Net increase in cash and cash equivalents	117,313	113,894
Cash and cash equivalents at the beginning of the year	152,801	270,114
Cash and cash equivalents at the end of the year	270,114	384,008

(5) Assumptions for going concern

No items to report

(6) Notes to the summary of consolidated financial statements

Basis of preparation

The Rakuten Group's summary of consolidated financial statements meets the requirements set out under Article 1-2 of the Rules on Terminology, Formats and Compilation Methods of Consolidated Financial Statements (Cabinet Office Ordinance No. 28 of 1989; hereinafter referred to as the "Rules on Consolidated Financial Statements") under which the Rakuten Group is qualified as a "specified company" and duly prepares such summary under IFRS based on the provisions of Article 93 of the Rules on Consolidated Financial Statements.

Significant accounting policies

(1) Basis of Consolidation

1) Subsidiaries

A subsidiary is an entity (including structured entities) that is controlled by the Group Companies. The Group Companies control an entity when they are exposed, or have rights, to variable returns from involvement with the entity and have the ability to affect those returns through power over that entity. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group Companies control another entity or not. Between the date of obtaining control and the date of losing control, the consolidated financial statements of the Group Companies include the financial statements of each controlled subsidiary.

The Group Companies apply the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred by the Group Companies to the former owners of the acquiree and the equity interests issued by the Group Companies. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs incurred by the Group Companies, such as agent commissions, legal fees, due diligence costs, other professional fees and other consulting costs, are recognized as expenses in the period in which they are incurred. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair value at the acquisition date. The acquisition date is the date when control is transferred to the acquirer. Judgments may be required in deciding the acquisition date and whether control is transferred from one party to another. Further, the Group Companies recognize any non-controlling interest in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred, the fair value of non-controlling interest and the fair value of any pre-existing interest in the acquiree at the acquisition date over the net identifiable assets acquired and liabilities assumed. Whereas if the aggregate of the consideration transferred, the fair value of non-controlling interest in the acquiree and the fair value of pre-existing interest in the acquiree at the acquisition date is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in the consolidated statement of income as a bargain purchase transaction.

Changes in the ownership interest in subsidiaries are accounted for as equity transactions if the Group Companies retain control over the subsidiaries. Any difference between the adjustment to the non-controlling interests and the fair value of the consideration transferred or received is recognized directly in equity attributable to owners of the Company.

Intercompany balances and transactions are eliminated in consolidation. Unrealized gains or losses included in assets resulting from transactions within the Group Companies are also eliminated. The financial statements of each subsidiary are adjusted, if necessary, to comply with the accounting policies of the Group Companies.

2) Associates and Joint Arrangements

Associates are entities over which the Group Companies have significant influence but do not have control over the financial and operating policies of such entities. Significant influence is presumed to exist when the Group Companies hold 20% to 50% of the voting power of another entity. The factors considered in determining whether or not the Group Companies have significant influence include representation on the board of directors. The existence of these factors can lead to the determination that the Group Companies have significant influence, even though the investment of the Group Companies is less than 20% of the voting stock.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the activities that have significant influence on variable returns from arrangements require the unanimous consent of the parties sharing control. Investments in a joint arrangement are classified as a joint operation or a joint venture depending upon the rights and obligations of the parties to the arrangement. A joint operation is a joint arrangement whereby parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Investments in associates and joint ventures are accounted for using the equity method, except where they are classified as assets held for sale in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" and accordingly accounted for in accordance with IFRS 5.

The Group Companies' share of the operating results of associates and joint ventures is adjusted to conform to the accounting policies of the Group Companies, and is reported in the consolidated statement of income as "Share of income of associates and joint ventures". The Group Companies' share of investees' gains or losses resulting from intercompany transactions is eliminated on consolidation. Under the equity method of accounting, the investment of the Group Companies in associates and joint ventures are initially recorded at cost, and subsequently increased (or decreased) to reflect both the Group Companies' share of the post-acquisition net income and other movements included directly in equity of the associates and joint ventures.

Goodwill arising on the acquisition of associates or joint ventures is included in the carrying value of the investment, and the Group Companies carry out any impairment testing on the entire interest in an associate. The Group Companies assess whether there is any objective evidence that the investments in associates and joint ventures are impaired at each reporting date. If there is any objective evidence of impairment, an impairment test is performed by comparing the investment's recoverable amount, which is the higher of its value in use or fair value less costs of disposal, with its carrying amount. An impairment loss recognized in prior periods is only reversed if there has been a change in the estimates used to determine the investment's recoverable amount since the last impairment loss was recognized. The impairment loss is reversed to the extent that the carrying amount of the investment equals the recoverable amount.

For investments in joint operations, the Group Companies recognize their share of the revenues, expenses, assets and liabilities of each joint operation.

(2) Business Combinations

The Group Companies use the acquisition method to account for business combinations. In accordance with the recognition principles of IFRS 3 "Business Combinations," the identifiable assets, liabilities and contingent liabilities of the acquiree are measured at their fair values at the acquisition date except:

- Deferred tax assets or liabilities and liabilities (or assets) related to employee benefit arrangements are recognized and measured in accordance with IAS 12 "Income taxes" and IAS 19 "Employee benefits," respectively; and liabilities related to share-based payments are recognized and measured in accordance with IFRS 2 "Share-based Payment;" and
- Non-current assets and operations classified as held for sale are measured in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations."

If the initial accounting for business combinations is incomplete by the end of the reporting period in which the business combinations occur, the Group Companies report provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are retrospectively adjusted during the

measurement period to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized as of that date. Additional assets or liabilities are recognized if new information, if known, would have resulted in the additional recognition of assets or liabilities. The measurement period does not exceed one year.

Goodwill relating to acquisitions prior to the date of transition to IFRSs is reported in accordance with previous accounting standards.

(3) Foreign Currencies

1) Foreign Currency Transactions

Foreign currency transactions are translated into the functional currencies of individual foreign subsidiaries using the spot exchange rate at the date of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currencies using the spot exchange rate at the end of each reporting period. Non-monetary assets and liabilities measured at fair value that are denominated in foreign currencies are retranslated using the spot exchange rates at the date when the fair value was determined.

Exchange differences arising from settlement and translation of foreign currency denominated monetary assets and liabilities at the period end closing rate are recognized in the consolidated statement of income. However, when profits or losses related to non-monetary items are recognized in comprehensive income, any exchange differences are also recognized in other comprehensive income.

2) Foreign Operations

Assets and liabilities of foreign operations (including goodwill and fair value adjustments arising on the acquisition of foreign operations) are translated into Japanese yen using the spot exchange rate at the reporting date. Income and expenses are translated into Japanese yen at the average exchange rates for the period.

Exchange differences arising from translation of financial statements of foreign operations are recognized in other comprehensive income.

These differences are presented as “Foreign currency translation adjustments” in other components of equity. On disposal of the entire interest of foreign operations, and on the partial disposal of an interest which involves loss of control, significant influence or joint control, the cumulative amount of the exchange differences is reclassified to income as a part of gains or losses on disposal.

(4) Cash and Cash Equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less and insignificant risk of changes in value. However, short-term highly liquid investments in the banking business are excluded.

(5) Financial Instruments

1) Non-derivative Financial Assets

The Group Companies recognize trade and other receivables at the time they arise. All other financial assets are recognized at the contract dates when the Group Companies become a party to the contractual provisions of the instrument.

The following is a summary of the classification and measurement model of non-derivative financial assets.

<u>Financial Assets Measured at Amortized Cost</u>

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- The asset is held within the Group Companies’ business model with the objective of holding assets in order to collect contractual cash flows; and
- The contractual terms of the instrument give rise on a specified date to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortized cost are initially measured at fair value plus directly attributable transaction costs. Subsequently, the carrying amount of the financial assets measured at amortized cost is calculated using the effective interest method, less impairment loss when necessary.

Impairment of Financial Assets Measured at Amortized Cost

For financial assets measured at amortized cost, on a quarterly basis, the Group Companies assess whether there is any objective evidence that financial assets are impaired. Financial assets are impaired and impairment losses are incurred if:

- There is any objective evidence of impairment as a result of a loss event that occurred after the initial recognition of the assets and up to the reporting date; and
- The loss event had an impact on the estimated future cash flows of the financial assets and a reliable estimate can be made.

Objective evidence that a financial asset is impaired includes:

- A breach of contract, such as a default or delinquency in interest or principal payments;
- Extension of the collection period of a receivable under specific conditions, which would not have been given in the absence of such circumstances;
- Indication of borrower's bankruptcy; and
- The disappearance of an active market.

The Group Companies review the evidence of impairment for financial assets measured at amortized cost individually or collectively. For significant financial assets, the Group Companies assess the evidence of impairment individually. If it is not necessary to impair significant financial assets individually, the Group Companies collectively assess whether or not any incurred but not yet reported impairment exists. Financial assets are grouped based on similar credit risk characteristics and collectively assessed for impairment.

In collectively assessing for impairment, the Group Companies adjust the impairment loss if it is determined that the actual loss, which reflects the current economic and credit conditions, differs from historical experience, estimated timing of recovery, and expected amount of loss.

The amount of the impairment loss for financial assets is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. The carrying amount of the financial assets is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated statement of income. The allowance for doubtful accounts is written off when there is no realistic prospect of recovery and all collateral has been realized or has been transferred to the Group Companies. If, in a subsequent period, the amount of the estimated impairment loss decreases and the decrease can be objectively linked to an event occurring after the impairment was recognized, the impairment loss shall be reversed by adjusting the allowance account in the consolidated statement of income. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed.

Financial Assets at Fair Value through Profit or Loss ("FVTPL")

Financial assets other than equity instruments that do not meet the conditions for amortized cost are measured at fair value with gains or losses on remeasurement recognized in the consolidated statement of income. Those financial assets include financial assets held for trading.

Equity investments are measured at fair value with gains or losses on re-measurement recognized in the consolidated statement of income unless the Group Companies make an irrevocable election to measure equity investments as at fair value through other comprehensive income ("FVTOCI") on initial recognition.

Financial assets measured at FVTPL are initially measured at fair value and transaction costs are recognized in the consolidated statement of income when they are incurred.

Financial Assets at FVTOCI

On initial recognition, the Group Companies may make an irrevocable election to measure investments in equity instruments as at FVTOCI. The election is made only for equity investments other than those held for trading.

Financial assets measured at FVTOCI are initially measured at their fair value (including directly attributable transaction costs). Subsequently, they are measured at fair value, and gains and losses

arising from changes in fair value are recognized in other comprehensive income and presented as "Gains (losses) on financial assets measured at fair value through other comprehensive income" in other components of equity.

However, dividends on financial assets measured at FVTOCI are recognized in the consolidated statement of income as "Revenue" or "Financial income."

Derecognition of Financial Assets

The Group Companies derecognize a financial asset when the contractual rights to the cash flows from the asset expire, or when the Group Companies transfer the contractual right to receive cash flows from financial assets in transactions in which substantially all the risks and rewards of ownership of the asset are transferred to another entity. Any interest in transferred financial asset qualifying for derecognition created or retained by the Group Companies are accounted for separately.

2) Non-derivative Financial Liabilities

Debt securities issued by Group Companies are initially recognized on the issue date. All other financial liabilities are recognized when the Group Companies become a party to the contractual provisions of the instruments.

The Group Companies derecognize financial liabilities when they are extinguished, i.e., when the obligation specified in the contract is discharged, cancelled or expired.

The Group Companies classify financial liabilities as accounts payable-trade, deposits for banking business, financial liabilities for securities business, bonds and borrowings and other financial liabilities as non-derivative financial liabilities, initially measure them at fair value, and subsequently measure them at amortized cost using the effective interest method.

To reduce differences substantially caused by measurement of assets or liabilities or recognition of income on different bases, some deposits for banking business are designated as financial liabilities at FVTPL. Among unrealized gains and losses arising from changes in the fair values of such financial liabilities, any due to changes in the credit risk of the liabilities are included in a separate component of net assets.

3) Derivatives

Derivatives Qualifying for Hedge Accounting

The Group Companies enter into derivative transactions to manage fair value risk of fluctuations in interest rates, interest rate risk and foreign currency risk. The primary derivatives used by the Group Companies are interest rate swaps and foreign exchange forward contracts.

At the initial designation of the hedging relationship, the Group Companies document the relationship between the hedging instrument and the hedged item, along with their risk management objective and strategy for undertaking the hedge, the hedging instrument, the hedged item, the nature of the risk being hedged, the evaluation of the effectiveness of hedging instrument in offsetting the hedged risk, and the measurement of ineffectiveness.

At the inception of the hedge and on an ongoing basis, the Group Companies assess whether the Group Companies can forecast if the hedging instrument is highly effective in offsetting changes in fair value or cash flows of the hedged item attributable to the hedged risk throughout the period for which the hedge is designated.

Derivatives are initially recognized at fair value with transaction costs recognized in the consolidated statement of income as incurred. Subsequently derivatives are measured at fair value, and gains and losses arising from changes in the fair value are accounted for as follows:

- Fair Value Hedges

  The changes in the fair value of the hedging instrument are recognized in the consolidated statement of income. The gains or losses on the hedged items attributable to the hedged risks are recognized in the consolidated statement of income, and the carrying amounts of the hedged items are adjusted.

- Cash Flow Hedges

  When derivatives are designated as hedging instruments to hedge the exposure to variability in cash flows that are attributable to a particular risk associated with recognized assets or liabilities, the portion of the gain and loss on the derivative that is determined to be an effective hedge is presented as "Gains (losses) on cash flow hedges recognized in other comprehensive income" in the other components of equity. The balances of cash flow hedges are reclassified to income from other comprehensive income in the periods when the cash flows of hedged items affect income, in the same line items of the consolidated statement of comprehensive income as those of hedged items. The gain or loss relating to the ineffective portion is recognized immediately in the consolidated statement of income.

Hedge accounting is discontinued prospectively when the hedge no longer qualifies for hedge accounting, or when the hedging instrument is expired, sold, terminated or exercised, or when the designation is revoked.

Derivatives Not Qualifying for Hedge Accounting

The Group Companies hold some derivatives for hedging purposes that do not qualify for hedge accounting. Derivatives may also be held for trading as opposed to hedging purposes. Any changes in fair value of these derivatives are recognized immediately in the consolidated statement of income.

Embedded Derivatives

Some hybrid contracts, which contain both a derivative and a non-derivative component, are included among the financial instruments and other contracts. In such cases, the derivative component is termed an embedded derivative, with the non-derivative component representing the host contract. Where the host contract is a financial liability, if the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract and a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the hybrid contract itself is not classified as FVTPL as a financial liability, the embedded derivative is separated from the host contract and accounted for as a derivative. The financial liability component of the host contract is then accounted for in accordance with the Group Companies' accounting policy for non-derivative financial liabilities.

4) Presentation of Financial Instruments

Financial assets and liabilities are offset, with the net amount presented in the consolidated statement of financial position, only if the Group Companies hold a currently enforceable legal right to set off the recognized amounts, and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

5) Financial Guarantee Contracts

Financial guarantee contracts are contracts that require the guarantor to make specified payments to reimburse the guarantee for losses incurred due to a debtor failing to make payments when due in accordance with the original or modified terms of a debt instrument.

Such financial guarantee contracts are measured initially at fair value on the date of the contract. Subsequent to initial recognition, the Group Companies measure the financial guarantee at the higher of the best estimate of expenditure required to settle the obligation under the financial guarantee contract, and the unamortized balance of total amount of future guarantee charges.

(6) Property, Plant and Equipment

All property, plant and equipment are recorded at cost less any accumulated depreciation and accumulated impairment losses.

Cost includes costs directly attributable to the acquisition and of dismantling and removal of the asset, as well as any estimated costs of restoring the site on which they are located. Property, plant and equipment are subsequently carried at the historical cost basis measured using the cost model.

Depreciation is calculated based on the depreciable amount. The depreciable amount is the cost

of an asset cost less its residual value.

Depreciation of property, plant and equipment is mainly computed under the straight-line method based on the estimated useful life of each component. The straight-line method is used because it is considered most closely approximate the pattern in which the future economic benefits of assets are expected to be consumed by the Group Companies. Leased assets are depreciated over the shorter of the lease term and their useful lives if there is no reasonable certainty that the Group Companies will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives of significant assets for the years ended December 31, 2012 and 2013 are as follows:

- Buildings and accompanying facilities 10–50 years
- Furniture, fittings and equipment 5–10 years

The depreciation methods, useful lives and residual values are reviewed at the end of each reporting period, and revised if necessary.

(7) Intangible Assets

1) Goodwill

Initial Recognition

Goodwill arising on the acquisition of a subsidiary is recognized as an intangible asset. Measurement of goodwill on initial recognition is described in (1) Basis of Consolidation.

Subsequent Measurement

Goodwill is measured at cost less accumulated impairment losses.

2) Capitalized Software Costs

The Group Companies incur certain costs to purchase or develop software primarily for internal-use.

Expenditures arising from research activities to obtain new scientific or technical knowledge are recognized as expenses when they are occurred. Expenditures arising from development activities are capitalized as software, if, and only if, they are reliably measurable, they are technically feasible, it is highly probable that they will generate future economic benefits, and the Group Companies intend and have adequate resources to complete their developments and use or sell them.

Capitalized software is measured at cost less accumulated amortization and any accumulated impairment losses.

3) Intangible Assets Acquired in Business Combinations

Intangible assets that are acquired in business combinations, such as trademarks and other similar items, are recognized separately from goodwill, and are initially recognized at fair value at the acquisition date. Subsequently such intangible assets are measured at cost less any accumulated amortization and accumulated impairment losses.

4) Other Intangible Assets

Other intangible assets with finite useful lives are measured at cost less any accumulated amortization and accumulated impairment losses.

5) Amortization

Amortization is calculated based on the acquisition cost of an asset less its residual value. Within intangible assets with definite useful lives, the value of the insurance business and its customer relationships acquired through business combinations are amortized based on calculating the occurrence ratio of insurance revenue over the expected period of insurance revenue. Other intangible assets are amortized under the straight-line method. These methods are used because they are considered to most closely approximate pattern in which the future economic benefits of intangible assets are expected to be consumed by the Group Companies.

Estimated useful lives of significant intangible assets with definite useful lives are as follows:

- Software mainly 5 years

− Value of the insurance business and its acquired customer relationships 30 years

The amortization methods, useful lives and residual values are reviewed at the end of each reporting period, and revised if necessary.

(8) Leases (Lessee)

Leasing Transactions

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. In the case that fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, such transactions are classified as lease transactions.

Finance Leases

Leases that transfer all risks and benefits of ownership of the leased item to lessee are classified as finance leases.

Finance leases are capitalized at the commencement of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. After commencement of the lease, the Group Companies' accounting policy appropriate to each asset is applied.

The discount rate used in calculating the present value of the minimum lease payments is the implicit interest rate of the lease, if where this can be determined practically. Where it is impractical to determine such a rate, the lessee's incremental borrowing rate shall be used.

The minimum lease payments are apportioned between finance charges and the reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

A leased asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating Leases

Lease arrangements, except for finance leases that have not been capitalized in the consolidated statement of financial position, are classified as operating leases.

Under operating lease transactions, lease payments are recognized as an expense using the straight-line method over the lease term in the consolidated statement of income.

(9) Impairment of Non-financial Assets

The Group Companies assess at each reporting date whether there is an indication that a non-financial asset, except for inventories and deferred tax assets, may be impaired. If any such indication exists, the Group Companies estimate the recoverable amount of the asset. For goodwill, intangible assets with indefinite useful lives, and intangible assets not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit, or group of cash-generating units (CGU) is the higher of its value in use and fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. A CGU is the smallest group of assets, which generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or group of assets.

The CGU to which goodwill is allocated is determined based on the unit by which the goodwill is monitored for internal management purposes, and in principle, each entity is considered to be a CGU for the purposes of goodwill allocation.

Since corporate assets do not generate independent cash flows, if there is an indication that corporate assets may be impaired, the recoverable amount is determined for the CGU or group of CGUs to which the corporate assets belong.

Impairment losses are recognized in the consolidated statement of income when the carrying amount of an asset or CGU exceeds its recoverable amount. Such impairment losses are recognized first reducing the carrying amount of any allocated goodwill and then are allocated to the other assets of the CGU on a pro-rata basis based on the carrying amount of such assets.

Impairment losses recognized in respect of goodwill are not reversed. Assets other than goodwill

are reviewed at the end of each reporting period to assess whether there is any indication that an impairment loss recognized in prior years may no longer exist or may have decreased. An impairment loss recognized is reversed if an indication of the reversal of impairment losses exists and there is a change in the estimates used to determine the asset's recoverable amount. The reversal of an impairment loss does not exceed the carrying amount, net of depreciation and amortization, which would have been determined if any impairment loss had never been recognized for the asset in prior years.

(10) Provisions

Provisions are recognized when the Group Companies have a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

(11) Insurance

General Insurance Accounting

Insurance contracts issued and reinsurance contracts held by insurers are accounted for under IFRS 4 "Insurance contracts" based on the accounting policies previously applied in accordance with Japanese accounting standards for insurance companies.

Policy reserves and others for insurance business

The Group Companies apply the measurement of insurance liabilities which has been applied for insurance contracts in Japan. A liability adequacy test is performed in consideration of current estimates of cash inflows, such as related insurance premiums and investment income, and cash outflows such as insurance claims and benefits and operating expenses. If the test shows that the liability is inadequate, the entire deficiency is recognized in the consolidated statement of income.

(12) Equity

Common Stock

Proceeds from the issuance of equity instruments by the Company are included in "Common stock" and "Capital surplus." Direct issuance costs (net of tax) are deducted from "Common stock" and "Capital surplus" proportionately based on the proceeds received.

Treasury Stock

When the Company repurchases treasury stock, the consideration paid, including direct transaction costs (net of tax), is recognized as a deduction from equity. When the Company sells treasury stock, the consideration received is recognized as an addition to equity.

(13) Share-based Payments

The Group Companies have stock option plans as incentive plans for directors, executive officers, and employees. The fair value of stock options at the grant date is recognized as an employee expense over the vesting period from the grant date as a corresponding increase in capital surplus. The fair value of the stock options is measured using the Black-Scholes model or other models, taking into account for the terms of the options granted. The Group Companies regularly review the assumptions and revise estimates of the number of options that are expected to vest, as necessary.

(14) Revenue

The Group Companies mainly provide various EC (e-commerce) services, such as internet travel bookings, portal websites including Rakuten Ichiba, and sell advertising and content on these websites. The Group Companies also provide various internet finance services, such as credit card, banking, securities, insurance services and so on. Revenue is measured at the fair value of the consideration for goods sold and services provided in the ordinary course of business, less sales related taxes. The revenue of the Group Companies is recognized as follows:

Sales of Goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- The Group Companies have transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Group Companies retain neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Group Companies; and
- The cost incurred in respect of the transaction can be measured reliably.

Rendering of Services

The outcome of a transaction involving the rendering of services can be estimated reliably, and revenue is recognized by reference to the stage of completion of the transaction at the end of each reporting period, when all the following conditions are satisfied:

- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Group Companies;
- The stage of completion of the transaction at the end of each reporting period can be measured reliably; and
- The cost incurred for the transaction and the cost to complete the transaction can be measured reliably.

Interest Income

Revenue arising from interest is recognized using the effective interest method when the following conditions are satisfied:

- The amount of revenue can be measured reliably; and
- It is probable that the economic benefits associated with the transaction will flow to the Group Companies.

(15) Financial Income and Expenses

Financial income mainly comprises interest income, dividend income and changes in the fair value of financial assets measured at FVTPL. Interest income is accrued using the effective interest

method. Dividend income is recognized on the date when the right of the Group Companies to receive the dividend is established.

Financial expenses mainly comprise interest expenses and impairment losses on financial assets measured at amortized cost. Interest expenses are accrued using the effective interest method.

Financial income and expenses incurred from the finance business of the subsidiaries are included in "Revenue" and "Operating expenses."

(16) Short-term Employee Benefits

Short-term employee benefits are measured on an undiscounted basis and are expensed during the period when the related service is rendered. Accrued bonus and holiday pay are recognized as liabilities, when the Group Companies have present legal or constructive obligation and when reliable estimates of the obligations can be made.

(17) Additional Line Items

The Group Companies disclose certain one-off revenues and expenses separately in the consolidated statement of income when the amounts are material in order to better explain the impact on results of operations.

(18) Current and Deferred Income Tax

The income taxes expense comprises current and deferred taxes. These are recognized in the consolidated statement of income, except for income taxes which arise from business combinations or which are recognized either in other comprehensive income or directly in equity.

Current taxes are calculated by the expected tax payable or receivables on the taxable income, using the tax rates enacted or substantially enacted by the end of the reporting period.

Deferred tax assets and liabilities are recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated statement of financial position and their corresponding tax bases. Deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition of an asset or liability in a transaction, which is not a business combination and, at the time of the transaction, affects neither income in the consolidated statement of income nor taxable income.

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply in the period when the related deferred tax assets is realized or the deferred tax liability is settled, based on tax laws that have been enacted or substantively enacted by the end of reporting period.

Deferred tax assets are recognized for unutilized tax losses, tax credits and deductible temporary differences, only to the extent that it is probable that future taxable income will be available against which such temporary differences can be utilized.

Deferred tax assets and liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, associates, and joint ventures. However, if the Group Companies are able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future, deferred tax liabilities are not recognized. Deferred tax assets are recognized only to the extent that it is probable that there will be sufficient taxable income against which the benefit of temporary differences can be utilized and the temporary differences will reverse in the foreseeable future.

Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to settle current tax assets and liabilities on a net basis.

(19) Earnings Per Share

The Group Companies disclose basic and diluted earnings per share (attributable to the owners of the Company) related to common stock. Basic earnings per share is calculated by dividing net income (attributable to equity owners of the Company) by the weighted average number of common stock outstanding during the reporting period, adjusted for the number of treasury stock held. Diluted earnings per share are calculated, for the dilutive effects of all potential common stock by dividing net income

(attributable to equity owners) by the weighted average number of common stock outstanding during the reporting period, adjusted for the number of treasury stock.

Potential common stock of the Group Companies relates to the stock option plan.

On July 1, 2012, the Company implemented a 100-for-1 share split. Earnings per share (attributable to equity owners) for each reporting period are calculated by the number of common stock outstanding after incorporating the share split.

(20) Operating Segments

Operating segments correspond to business activities, from which the Group Companies earn revenues and incur expenses, including revenues and expenses relating to transactions with other operating segments. Discrete financial information for operating results of all operating segments is available, and is regularly reviewed by the Board of Directors of the Group Companies in order to determine the allocation of resources to the segment and assess its performance.

Impact from the adoption of the new accounting standards

The Rakuten Group started to adopt the following accounting standards from the first quarter of the fiscal year ended December 31, 2013.

IFRS		Newly established or revised contents
IFRS 13	Fair value measurement	Guidance of fair value measurements, which are required in other standards
IFRS 7	Financial instruments: disclosures (Amended Dec. 2011)	New disclosure for evaluation of the effect and potential effect of offsetting arrangements on an entity's financial position

These standards have been adopted in accordance with their respective transitional provisions, and the adoption of above standards has no significant impact on the fiscal year ended December 31, 2013.

Significant Accounting Estimates and Judgments

(1) Significant Accounting Estimates and Assumptions

In the preparation of the consolidated financial statements in accordance with IFRS, the Group Companies make estimates and assumptions concerning future events. These accounting estimates are inherently not anticipated to equal actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the following reporting period are addressed below.

(a) Goodwill Evaluation

An impairment test is conducted at least once a year for goodwill recognized by the Group Companies, regardless of whether there is an indication of impairment or not. The recoverable amount of CGUs, to which goodwill is allocated, is mainly calculated based on estimated future cash flows, estimated growth rate, and discount rate. This calculation is based on judgments and assumptions that are made by the management of the Group Companies, considering business and market conditions. The Group Companies consider these assumptions to be significant because, if the assumed conditions change, the estimated recoverable amounts might be significantly different.

(b) Recoverability of Deferred Tax Assets

For temporary differences that are differences between carrying value of an asset or liability in the consolidated statement of financial position and its tax base, the Group Companies recognize deferred tax assets and deferred tax liabilities in respect of such deferred tax assets and deferred tax liabilities calculated using the tax rates based on tax laws that have been enacted or substantively enacted by the end of the reporting period and the tax rates that are expected to apply to the period when the deferred tax asset is realized or the deferred tax liability is settled. Deferred tax assets are recognized for all deductible temporary differences, the unutilized tax losses carried forward and the unutilized tax credit carried forward to the extent that it is probable that taxable income will be available. The estimation of the taxable income for the future is calculated based on the business plan approved by the management of the Group Companies, and is based on management's subjective judgments and assumptions. The Group Companies consider these assumptions to be significant because changes in

the assumed conditions and amendments of tax laws in the future might significantly affect the calculation of the amounts of deferred tax assets and deferred tax liabilities.

(c) Methods of Determining Fair Value for Financial Instruments Measured at Fair Value Including Derivative Instruments

Financial assets and financial liabilities including derivatives, held by Group Companies are measured at the following fair values:

- Quoted prices in active markets for identical assets or liabilities;
- Fair value calculated using observable inputs other than quoted prices for the assets or liability, either directly or indirectly; and
- Fair value calculated using valuation techniques incorporating unobservable inputs.

In particular, the fair value estimated through valuation techniques that incorporate unobservable inputs is premised on the decisions and assumptions of the management of the Group Companies, such as appropriate experience assumptions, suppositions, and the model utilized. The Group Companies consider the estimations to be significant as it is probable that the changes of estimations and assumptions might have significant influence on the calculation of fair value for financial instruments.

(d) Impairment of Financial Assets Measured at Amortized Cost

For financial assets measured at amortized cost, the Group Companies assess whether there is any objective evidence that financial assets are impaired each quarter. Where any such objective evidence exists, the Group Companies recognize the difference between the carrying value of the asset and the present value of estimated future cash flows as impairment losses.

When estimating future cash flows, management makes judgments considering the probability of default, time of recovery and historical experience, and whether after reflecting current economic and credit conditions, actual losses are greater than or less than such trends in the past. If these estimations and assumptions change, the amount of any impairment losses for financial assets measured at amortized cost might vary widely, therefore, the Group Companies consider these estimations to be significant.

(e) Provisions

The Group Companies record certain provisions, such as provision for customer points and provision for loss on interest repayments. Regarding the provision for customer points, in preparation for the future use of points by customers, the Group Companies use historical experience to estimate the provision for the Rakuten Super Point Program. The Group Companies estimate future interest repayments based on historical experience to calculate the provision for loss on interest repayments. These provisions are estimated on the premise of management's decisions and the assumptions of the Group Companies. The Group Companies consider the estimations to be significant as it is probable that the changes of estimations and assumptions might have a significant influence on the calculation of the amount of the provisions.

(f) Liability Adequacy Test for Insurance Contracts

The Group Companies perform a liability adequacy test for insurance contracts in consideration of the estimated present value of all contractual cash flows, and of related cash flows such as insurance claims and other payments.

(2) Significant Judgment in Applying the Accounting Policies of the Group Companies

In the process of applying the accounting policies, the management of the Group Companies has made certain decisions which have a significant influence on the amounts recognized in the consolidated financial statements.

The Group Companies, mainly in the banking business and the credit card business, transact with structured entities, which are designed so that voting rights or similar rights are not the dominant factor in deciding who controls the entities. The management of the Group Companies decide whether the Group Companies are controlling the entities or not. All related facts and circumstances on the involvement with the structured entity are considered in deciding control over such an entity.

4. Segment Information

(1) General Information

As a comprehensive internet service provider engaged in the two main activities of Internet Services and Internet Finance Services, the Group Companies are organized into three reportable segments: “Internet Services,” “Internet Finance” and “Others.”

Discrete financial information for operating results of all operating segments is available, and is regularly reviewed by the Board of Directors of the Group Companies in order to determine the allocation of resources and assess performance.

The “Internet Services” segment comprises businesses running various EC (e-commerce) sites including an internet shopping mall Rakuten Ichiba, travel booking sites, portal sites and e-book business, along with business for advertising and sales of contents and similar on these sites.

The “Internet Finance” segment engages in businesses providing services over the internet related to banking and securities, credit cards, life insurance and electronic money.

The “Others” segment comprises businesses involving provision of communication services and management of a professional baseball team.

(2) Measurement of Segment Profit and Loss

The operating segment information is reported based on with generally accepted accounting principles in Japan (hereinafter referred to as “JGAAP”), and operating segment revenue and income, except for certain consolidated subsidiaries, are before intercompany eliminations and other consolidation adjustments. Operating segment profit or loss is based on operating income in accordance with JGAAP and includes allocated corporate expenses.

Differences in accounting standards between JGAAP and IFRS are included in the reconciliation made from segment revenue to consolidated revenue; and the reconciliation made from segment profit or loss to income before income tax. The Group Companies do not allocate assets and liabilities to operating segment information used by the chief operating decision maker.

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

(Millions of Yen)

	Internet Services	Internet Finance	Others	Total
Segment Revenue	270,255	126,562	33,271	430,088
Segment Profit	25,305	20,284	2,825	48,414
Other items				
Depreciation and amortization	11,932	7,265	1,696	20,893

Fiscal year ended December 31, 2013 (January 1 to December 31, 2013)

(Millions of Yen)

	Internet Services	Internet Finance	Others	Total
Segment Revenue	315,228	201,494	35,746	552,468
Segment Profit	47,455	44,174	3,762	95,391
Other items				
Depreciation and amortization	16,032	8,223	1,665	25,920

Reconciliation from Segment Revenue to Consolidated Revenue

(Millions of Yen)

	Fiscal year ended December 31, 2012 (January 1 to December 31, 2012)	Fiscal year ended December 31, 2013 (January 1 to December 31, 2013)
Segment Revenue	430,088	552,468
Intercompany transactions, etc.	(29,644)	(33,900)
Consolidated Revenue	400,444	518,568

Reconciliation from Segment Profit to Income Before Income Tax

(Millions of Yen)

	Fiscal year ended December 31, 2012 (January 1 to December 31, 2012)	Fiscal year ended December 31, 2013 (January 1 to December 31, 2013)
Segment Profit	48,414	95,391
Intercompany transactions, etc.	1,641	(5,147)
Operating income	50,055	90,244
Financial income and expenses	(2,372)	(1,765)
Share of income of associates and joint ventures	1,423	131
Income before income tax	49,106	88,610

(3) Products and Services

Revenue from external customers by major products and services of the Group Companies is as follows:

(Millions of yen)

	Rakuten Ichiba	Rakuten Card	Rakuten Bank	Others	Revenue from external customers
Year ended December 31, 2012	106,998	44,474	32,175	216,797	400,444
Year ended December 31, 2013	129,271	60,074	36,621	292,602	518,568

(4) Geographic Information

For the year ended December 31, 2012

(Millions of yen)

	Japan	Americas	Europe	Others	Total
Revenue from external customers	346,264	29,454	23,573	1,153	400,444
Property, plant and equipment and intangible assets	132,638	45,943	31,753	1,823	212,157

For the year ended December 31, 2013

(Millions of yen)

	Japan	Americas	Europe	Others	Total
Revenue from external customers	458,973	39,359	18,421	1,815	518,568
Property, plant and equipment and intangible assets	144,030	75,480	43,006	3,773	266,289

(5) Major Customers

For the year ended December 31, 2012

Disclosure of major customers is omitted because the proportion of revenue from an individual external customer does not exceed 10% of consolidated revenue.

For the year ended December 31, 2013

Disclosure of major customers is omitted because the proportion of revenue from an individual external customer does not exceed 10% of consolidated revenue.

Earnings per Share

Basic earnings per share are calculated by dividing the net income attributable to equity owners by the weighted average number of common stock outstanding during the year. The weighted average number of common stock outstanding during the year does not include treasury stock.

Diluted earnings per share are calculated on the assumption of full conversion of potentially dilutive common stock, adjusted for the weighted average number of common stock outstanding.

The Company has potential common stock related to stock options. The number of shares that may be acquired through these stock options is calculated at fair value (annual average stock price of the Company) based on the value of the stock acquisition rights that would be granted to unexercised stock options.

On July 1, 2012, the Company implemented a 100-for-1 stock split. The following calculation of earnings per share includes the number of common stock outstanding after the share split.

Per share information and the weighted average number of shares used in the calculation of earnings per share are as follows:

	Year ended December 31, 2012			Year ended December 31, 2013		
	Basic	Adjustments	Diluted	Basic	Adjustments	Diluted
Net income attributable to owners of the parent company (Millions of yen)	20,489	(0)	20,489	42,900	(7)	42,893
Weighted average number of shares (Thousands of shares)	1,313,987	3,036	1,317,023	1,315,997	7,378	1,323,375
Earnings per share (yen)	15.59	(0.03)	15.56	32.60	(0.19)	32.41

The following potential shares were not included in the calculation of diluted earnings per share because there would be no dilutive effects.

Year ended December 31, 2012		Year ended December 31, 2013	
Subscription Rights to Shares of the parent company Stock options in accordance with the provisions of Article 280-20 and Article 280-21 of the former Commercial Code		Subscription Rights to Shares of the parent company Stock options in accordance with the provisions of Articles 236, 238, and 239 of the Companies Act	
March 30, 2005 Resolution at General Shareholders' Meeting	5,641,000 shares	March 28, 2013 Resolution at General Shareholders' Meeting	12,000 shares
March 30, 2006 Resolution at General Shareholders' Meeting	3,000,000 shares		

There were no transactions during the period from December 31, 2013 to the date of approval of the consolidated financial statements that materially impacted the calculation of earnings per share.

Breakdown of Operating Expenses

(Millions of Yen)

	Fiscal year ended December 31, 2012 (January 1 to December 31, 2012)	Fiscal year ended December 31, 2013 (January 1 to December 31, 2013)
Advertising and promotion expenditures	49,611	75,408
Employee benefits expenses	70,098	93,206
Depreciation and amortization	21,227	26,086
Communication and maintenance expenses	15,355	18,254
Consignment and subcontract expenses	22,666	27,959
Allowance for doubtful accounts charged to expenses	10,023	12,928
Cost of sales of merchandise	50,297	52,346
Interest expense for finance business	5,512	4,864
Commission expense for finance business	5,002	5,300
Insurance claims and other payments, and provision of policy reserves and others for insurance business	1,857	11,215
Others	67,787	92,808
Total	319,435	420,374

Notes on significant subsequent events (Fiscal year ended December 31, 2013)
Acquisition of shares of Viber Media Ltd.

At an extraordinary board of directors meeting held at the company on February 14, 2014 a resolution was passed to execute a contract to acquire all the shares of Viber Media Ltd. (head office: Cyprus) which operates a mobile messaging service and VoIP service on a global business, and for Viber Media Ltd. to become as subsidiary.

(1) Details of name of company and main business, main reasons for the acquisition, closing date, legal structure, and company name after acquisition.

i) Name: Viber Media Ltd.

ii) Main business: Mobile messaging service and VoIP service operator

iii) Main reasons for the acquisition

The Company operates three main businesses on a global scale: E-commerce, Internet services, and digital contents. Viber Media Ltd has approximately 280 million registered users globally, and 100 million of them are monthly active users of its mobile messaging and VoIP services called "Viber". The company will make Viber Media Ltd. a subsidiary, for the purpose of utilizing its wide customer base, and build a global E-Commerce and digital contents platform.

iv) Closing date: March 2014 (planned)

v) Legal structure of acquisition: Acquisition of shares

vi) Name of company after acquisition: The company name will not change after acquisition

(2) Acquisition amount of the acquired firm

Value of the shares acquired: 900 million US dollars

Note: Regarding the acquisition amount, the Company intends to finance it through bank borrowings. Details have yet to be decided.

(3) Amount of goodwill arising from the acquisition and the value of assets and liabilities of Viber Media Ltd. to be transferred to the company as of the closing date.

Not yet decided.

Quarterly Consolidated Statements of Income (Summary)
(For the three months ended December 31, 2012 and 2013)

(Millions of yen)

	Three months ended December 31, 2012 (October 1 to December 31, 2012)	Three months ended December 31, 2013 (October 1 to December 31, 2013)
Continuing Operations		
Revenue	120,606	148,843
Operating expenses	99,373	122,557
Other income	2,856	809
Other expenses	3.072	7,871
Additional line items	(28,738)	-
Operating (loss) income	(7,721)	19,224
Financial income	24	38
Financial expenses	525	441
Share of income of associates and joint ventures	648	188
Income (loss) before income tax	(7,574)	19,009
Income tax expense	3,814	12,329
Net income (loss)	(11,388)	6,680
Net income (loss) attributable to:		
Owners of the parent company	(11,679)	6,561
Non-controlling interests	291	119
Net income (loss)	(11,388)	6,680

(Yen)

Earnings per share attributable to owners of the parent company		
Basic	(8.89)	4.98
Diluted	-	4.95

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

(Millions of Yen)

	Internet Services	Internet Finance	Others	Total	Adjustments	Amount reported on consolidated financial statements
Segment Revenue	84,116	37,641	7,453	129,210	(8,604)	120,606
Segment Profit (Loss)	(17,399)	7,133	335	(9,931)	2,210	(7,721)

For the three months ended December 31, 2013 (October 1 to December 31, 2013)

(Millions of Yen)

	Internet Services	Internet Finance	Others	Total	Adjustments	Amount reported on Consolidated financial statements
Segment Revenue	94,982	53,747	9,762	158,491	(9,648)	148,843
Segment Profit (Loss)	7,978	12,168	(115)	20,031	(807)	19,224

Rakuten

Breakdown of operating expenses

(Millions of Yen)

	Three months ended December 31, 2012 (October 1 to December 31, 2012)	Three months ended December 31, 2013 (October 1 to December 31, 2013)
Advertising and promotion expenditures	16,980	22,591
Employee benefits expenses	18,633	25,251
Depreciation and amortization	5,682	7,220
Communication and maintenance expenses	4,101	4,945
Consignment and subcontract expenses	6,325	7,850
Allowance for doubtful accounts charged to expenses	2,547	3,270
Cost of sales of merchandise	22,033	19,362
Interest expense for finance business	1,165	1,299
Commission expense for finance business	1,296	1,434
Insurance claims and other payments, and provision of policy reserves and others for insurance business	1,857	2,564
Others	18,754	26,771
Total	99,373	122,557