

Annual Financial Results (Consolidated) for the Fiscal Year Ended December 31, 2009

Rakuten, Inc.
February 12, 2010

Company Name	Rakuten, Inc.	Listed	JASDAQ (Japan)
Code No	4755	URL	http://www.rakuten.co.jp/
Representative	(Title) Chairman and CEO	(Name) Hiroshi Mikitani	
Contact person	(Title) CFO Director	(Name) Ken Takayama	TEL +81-3-6387-0555
Scheduled date of the Annual General Meeting of Shareholders	March 30, 2010		
Scheduled date of commencement of dividend payment	March 31, 2010		
Scheduled date of filing the securities report	March 31, 2010		

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

1. Consolidated Results for the Fiscal Year Ended Dec 31, 2009 (Jan 1 to Dec 31, 2009)

(1) Consolidated Operating Results (Percentage figures are refer to comparisons with the previous fiscal year)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended Dec 31, 2009	298,252	19.4	56,649	20.1	54,890	23.3	53,564	—
Fiscal year ended Dec 31, 2008	249,883	16.8	47,151	—	44,531	—	(54,977)	—

	EPS (Earning per Share)	EPS (Earning per Share Diluted)	ROE (Ratio of Net Income to Shareholders' Equity)	ROA (Ratio of Ordinary Profit to Total Assets)	OP margine (Ratio of Operating Profit to Net Sales)
	Yen	Yen	%	%	%
Fiscal year ended Dec 31, 2009	4,092.17	4,077.62	30.3	3.9	19.0
Fiscal year ended Dec 31, 2008	(4,203.55)	—	(32.8)	4.0	18.9

(Reference) Equity in Profit and losses of affiliates : 527million yen (Fiscal year ended Dec 31, 2009),-116 million yen(Fiscal year ended Dec 31, 2008)

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Book-value per Share
	Millions of yen	Millions of yen	%	Yen
As of Dec 31, 2009	1,759,236	218,619	11.6	15,527.21
As of Dec 31, 2008	1,086,937	158,727	13.8	11,439.86

(Reference) Shareholders' equity: 203,344 million yen(as of Dec 31, 2009); 149,703 million yen (as of Dec 31, 2008)

(3) Consolidated Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investment Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents, End of Year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended Dec 31, 2009	(55,218)	217,160	(174,157)	103,618
Fiscal year ended Dec 31, 2008	(13,466)	(40,976)	62,397	81,283

2. Dividend Distribution

(Base Date)	Dividend per Share					Total Dividend (Year)	Dividend Ratio (Consolidated)	Ratio of Dividend to Net Assets (Consolidated)
	1Q	2Q	3Q	Annual	Year			
	Yen	Yen	Yen	Yen	Yen	Yen	%	%
FY2008	—	—	—	100.00	100.00	1,308	—	0.8
FY2009	—	—	—	100.00	100.00	1,309	2.4	0.7
FY2010 (Forecast)	—	—	—	—	—		—	

(Note) Dividend for the fiscal year ended Dec 31, 2008 was paid from capital surplus.

3. Forecast of Consolidated Business Results for Fiscal Year ended Dec 31, 2010

Rakuten, inc. and its group companies do not disclose earnings forecasts as its business operations include an Internet service business characterized by high uncertainty and financial related businesses such as securities business whose results heavily depended on high volatile market. This precludes us from making earnings forecasts.

4. Other

(1) Significant changes in scope of consolidation: Yes, new subsidiary: 1 (eBANK Corporation)

(2) Changes to consolidated accounting rules and procedures concerning the preparation and presentation of the financial statements (major items that provide the basis for preparing financial statements)

Changes in accounting policy: Yes

Other changes: No

(3) Number of shares issued (Common stock)

1. Common stock (including treasury stock)

13,096,980 shares (As of Dec 31, 2009)

13,087,064 shares (As of Dec 31, 2008)

2. Treasury stock

979 shares (As of Dec 31, 2009)

979 shares (As of Dec 31, 2008)

5. Qualitative Information Related to Consolidated Business Results

(1) The Fiscal Year Ended Dec 31, 2009 of Consolidated Business Results

In the fiscal ended Dec 31, 2009, economic conditions in Japan remained challenging as a result of the global economic downturn that began in the fall of 2008. This difficult environment was reflected in worsening business conditions and reduced business earnings. Signs of a partial export-led recovery began to emerge after the spring of 2009, and there was also a moderate improvement in consumer spending. However, the outlook remained persistently uncertain due to difficult employment conditions and a lack of forward momentum in the Japanese economy.

This contrasts with the situation in the Internet shopping market, which has expanded steadily in recent years as more and more consumers are attracted by its advantages, such as the ease with which they can find goods, make travel bookings and compare prices. In fiscal 2009, the domestic market, including business-to-consumer (B2C) e-commerce and online travel bookings, is expected to expand by 15.5% to approximately ¥6.5 trillion*1.

Turnover on Rakuten's Internet shopping malls continued to expand in this business environment. In fiscal 2009, the gross transaction volume on Rakuten Ichiba and Rakuten Books increased by 20.6% year on year. This growth rate exceeds the rate of increase for the entire Japanese e-commerce market. There was also substantial growth in transactions on our online travel booking site, Rakuten Travel, and gross booking transaction value increased by 17.2% year on year.

In addition to these existing business segments, performance in fiscal 2009 also benefited from the addition of eBANK Corporation to the consolidation in the first quarter. Net sales increased by 19.4% over the previous year's result to ¥298,252 million.

Operating income increased by 20.1% year on year to a new record of ¥56,649 million. Factors contributing to this growth included the improvement of our cost structure under strengthened management and administration system. Ordinary income also set a new record with a 23.3% year-on-year increase to ¥54,890 million. There was an income tax adjustment of ¥18,058 million. This resulted mainly from deferred tax assets recorded in connection with a valuation loss on investment securities in the previous year, following the exercise of our right to request a buy-back of our shareholdings in Tokyo Broadcasting System, Inc. (now Tokyo Broadcasting System Holdings, Inc.) on March 31, 2009. As a result, net income recorded ¥ 53,564 million (compared with a ¥54,977 million operating loss in the same period of the previous year).

(2) Business Segment Overview

Due to the addition of eBANK Corporation as a consolidated subsidiary, a new business segment was created starting with the first quarter financial results for the Banking Business Segment. We also transferred Rakuten Credit, Inc. and Rakuten Financial Solutions, Inc., which were part of the Credit and Payment Business in previous fiscal years, to the Banking Business as of the first quarter of this fiscal year, in consideration of these companies' similar activities. Also, the Credit and Payment Business became the Credit Card Business after reassessing the nature of its business. In light of the above, we present the state of individual business segments below for the fiscal year ended Dec 31, 2009.

E-Commerce Business Segment

In the fiscal ended Dec 31, 2009, our flagship Internet shopping mall Rakuten Ichiba led the growth in the E-Commerce (EC) Business Segment by Internet users by dynamically expanding our product line-up and encouraging merchants to open stores in new genres and regions.

We also implemented sales promotion initiatives, including campaigns based on our points system, as well as strategic marketing campaigns linked to the purchasing behavior of users. Gross transaction volume, including transactions on the Rakuten Books site, increased by a massive 20.6% year on year (20.9% after adjustment for the leap year). Net sales for the EC Business were 26.3% higher at ¥115,002 million. Increased revenues from Rakuten Ichiba and extensive cost-cutting measures in other segments helped produce a significant increase in operating income, which rose by 39.0% year on year to ¥36,222 million.

Credit Card Business Segment (Previously Credit and Payment Business Segment)

In the fiscal ended Dec 31, 2009, the Credit Card Business Segment produced net sales of ¥57,698 million. This result reflects growth in the number of cardholders, and a sustained increase in revenues from credit cards shopping. Operating income reached ¥3,312 million, despite the impact of worsening economic conditions and cost increases, including higher marketing expenditure to attract new cardholders. Year-on-year comparisons are not possible, since the scope of the segment was changed in the first quarter of the current fiscal year.

Banking Business Segment

In the fiscal ended Dec 31, 2009, the Banking Business Segment recorded net sales of ¥30,301 million and operating income of ¥2,418 million. Contributing factors included sustained growth in fees and commissions resulting from the expansion of settlement services by eBANK Corporation, which became a consolidated subsidiary in the first quarter of the current year. At the same time, income from financial assets, specifically loans and investment assets increased. Year-on-year comparisons are not possible, since this segment was established in the first quarter of the current fiscal year.

Portal and Media Business Segment

In the fiscal ended Dec 31, 2009, net sales for the Portal and Media Business Segment grew 82.0% to ¥17,621 million, leading to operating income of ¥1,164 million (compared with a ¥205 million operating loss in the same period of the previous year). Major boosts came from newly consolidated subsidiaries, such as the wedding information service O-net, Inc. which was included in the consolidated financial statements in the end of third quarter of the previous fiscal year, and pay-per-view video service provider SHOWTIME, Inc. which was included in the end of first quarter of this fiscal year. In addition, advertising revenue from existing business also grew steadily.

Travel Business Segment

In the fiscal ended Dec 31, 2009, the Travel Business Segment conducted aggressive sales promotion campaigns aimed at leisure travel users with initiatives to raise user convenience, including enhancing site functions and introducing multi-device support. We also enhanced our support for contracted accommodation facilities. These efforts brought a healthy increase in gross booking transactions, which were 17.2% higher year on year (17.5% after adjustment for the leap year). There was also pleasing growth in other areas, such as advertising sales. As a result, net sales increased by 19.3% year on year to ¥19,320 million, and operating income by 17.9% to ¥8,801 million.

Securities Business Segment

In the fiscal ended Dec 31, 2009, the Securities Business Segment recorded strong growth in our FX (foreign exchange margin transaction) foreign exchange business, but the slow recovery of the Japanese stock market was reflected in lower commission revenues. These and other factors caused net sales in this segment to decline by 5.1% year on year to ¥23,549 million. However, operating income was 15.7% higher at ¥4,463 million, in part because of cost-cutting measures.

Professional Sports Business Segment

In the fiscal ended Dec 31, 2009, our baseball team "The Tohoku Rakuten Golden Eagles" advanced to the Climax Series for the first time and attracted increased media attention. This helped to boost both ticket revenues and sales of goods for the Professional Sports Business. Net sales increased by 5.0% year on year to ¥8,360 million, and the

operating loss was reduced from ¥811 million in the previous year to ¥617 million.

Telecommunications Business Segment

In the fiscal ended Dec 31, 2009, the Telecommunications Business continued to rebuild our existing business activities through various initiatives, including the reduction of overheads. However, the market environment for the IP telephony business remained harsh, and net sales were 22.9% lower year on year at ¥26,396 million. Operating income declined by 16.5% to ¥362 million.

(Note)

*1:Source: Nomura Research Institute, Korekara Joho Tsushin Shijo de Nani ga Okoru no ka—IT Shijo Nabigeta 2010-Ban (What Will Happen in the IT Market?—IT Market Navigator 2010)

*2:The net sales figures shown in the segment overviews above represent sales to customers outside of the Rakuten Group and do not include intersegment sales.

6. Qualitative Information Pertaining to the Consolidated Financial Positions

Assets

Total assets as of Dec 31, 2009 amounted to ¥1,759,236 million. This represents an increase of ¥672,299 million from the figure of ¥1,086,937 million at the end of fiscal year 2008. The growth resulted mainly from the inclusion of eBANK Corporation into the consolidation, an increase in cash and deposits, and assets including securities worth ¥524,379 million, to the Rakuten Group's assets.

Liabilities

Total liabilities amounted to ¥1,540,617million as of Dec 31, 2009, compared with ¥928,210 million at end of fiscal year 2008, a ¥612,406 million increase. This increase resulted mainly from the inclusion of eBANK Corporation into the consolidation, and the addition of deposits and other liabilities relating to the Banking Business Segment to the Rakuten Group's liabilities. The total amount of short-term and long-term loans payable from financial institutions outside of the Rakuten Group was reduced by ¥163,331 million because of repayments, which were mostly made by Rakuten Credit, Inc. in preparation for its merger with eBANK Corporation.

Net Assets

Net assets amounted to ¥218,619 million as of Dec 31, 2009. This represents an increase of ¥59,892 million from the figure of ¥158,727 million at the end of fiscal year 2008. Shareholders' equity increased by ¥52,402 million due to that net income reached ¥53,564 million.

7. Cash Flows

There were substantial inflows of cash, primarily because of the strong performance of the EC business.

There were also inflows and outflows resulting from moves to improve the funding and investment portfolios of eBANK Corporation. These initiatives aimed to reduce funding costs to an appropriate level and improve investment performance from a risk-return perspective in connection with integrating the personal loan operations of eBANK Corporation, which became a member of the Rakuten Group, and Rakuten Credit, Inc.

On the funding side, this resulted in a decline in deposits from customers, especially matured time deposits, while on the investment side holdings of negotiable securities were reduced through redemptions and sales, especially of Japanese government bonds. These were the main reasons for the cash outflow resulting from operating activities and the cash inflow resulting from investing activities.

The principal reason for the cash outflow resulting from financing activities was that the existing debt of Rakuten Credit, Inc. was repaid in full when the personal loan operations of Rakuten Credit, Inc were integrated into eBank.

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

However, the addition of eBANK Corporation and other new subsidiaries to the consolidation added ¥34,751 million to cash and cash equivalents, and this and other factors caused cash and cash equivalents to increase by ¥22,334 million, from ¥81,283 million as of Dec 31, 2008 to ¥103,618 million as of Dec 31, 2009.

Net cash used for operating activities amounted to ¥55,218 million, compared with a net outflow of ¥13,466 million in the previous fiscal year. Cash inflows, including ¥52,529 million from net income before provision for income taxes and minority interests, were offset by the aforementioned outflows from finance-related businesses, including a ¥73,046 million reduction in deposits held by the Banking Business.

A cash inflow of ¥723,626 million from sales and redemptions of negotiable securities substantially outweighed a cash outflow of ¥526,819 million resulting from the acquisition of negotiable securities by eBANK Corporation. As a result, net cash provided by investing activities amounted to ¥217,160 million, compared with a net outflow of ¥40,976 million in the previous fiscal year.

Net cash used for financing activities amounted to ¥174,157 million, compared with a net inflow of ¥62,397 million in

the previous fiscal year. This reflects the full repayment of the existing debts of Rakuten Credit, Inc., and reduction of the debts of Rakuten, Inc. and Rakuten KC Co., Ltd.

(Reference) Cash Flows Index

	FY2007	FY2008	FY2009
Shareholders' equity ratio (%)	16.0	13.8	11.6
Ratio of Shareholders' equity to market capitalization (%)	62.1	68.6	52.6
Ratio of cash flows to interest-bearing liabilities (X)	9.8	—	—
Interest coverage ratio (X)	29.0	—	—

(Notes)

1. Shareholders' equity ratio: Shareholders' equity/total assets
2. Ratio of Shareholders' equity to market capitalization: Aggregate value of shares/total assets
3. Ratio of cash flows to interest-bearing liabilities: Interest-bearing liabilities/from operating activities cash flows
4. Interest coverage ratio: From operating activities cash flows/interest payments
 - (1) All indicators were calculated using consolidated financial statistics.
 - (2) Market capitalization is calculated as the value of shares at the end of the period multiplied by the total number of shares issued and outstanding at the end of the period.
5. The ratio of cash flows to interest-bearing liabilities and interest coverage ratio are not shown for fiscal 2008 and fiscal 2009 because there was a net cash outflow resulting from operating activities.

(3) Basic Policy on Income Distribution and Dividends for Fiscal 2009 and Fiscal 2010

Our basic policy on returns to shareholders reflects our commitment to the maximization of corporate value. For this reason, we also take into account the need to build up reserves of retained earnings to maintain a sound financial structure while dynamically developing our business activities. On this basis, we have sought to maintain stable dividends. In keeping with this basic policy, we plan to pay a dividend of ¥100 per share for fiscal 2009.

Reasons for the Difficulty of Forecasting Dividends

Rakuten is a participant in the Internet business sector. Because that sector is subject to rapid change, it is difficult to predict our financial performance. For this reason, we have not included a dividend forecast for fiscal 2010.

8. Management Policies

(1) Basic Management Policy

Our basic business philosophy is expressed in the word "empowerment." Our aim is to empower individuals and society through the Internet services. 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 the shareholder value and corporate value of the Rakuten Group, and to become a truly global Internet service company.

(2) Targets for Financial Indicators

The key performance indicators (KPIs) used by the Rakuten Group are the amounts and growth rates for business unit (BU) net sales, operating income and income before income taxes, together with gross transaction volume (the value of transactions in goods and services), the number of Rakuten Group members and others. By focusing on these indicators, we aim to enhance our growth potential and earning performance.

(3) Medium- to Long-Term Management Strategies

The basic management strategy of the Rakuten Group centers on a business model called the "Rakuten Eco-System." With this business model, we aim to leverage our high brand value into membership growth, and provide a wide range of Internet services to users, especially Rakuten members. The Rakuten Eco-System is an environment in which Rakuten Group Members can repeatedly use multiple services, including e-commerce transactions and financial services. This enables us to achieve synergistic goals that include expanding the gross transaction volume and maximizing the lifetime value of each member.

We work to achieve these goals by continually enhancing each of our services, by providing settlement services, and by implementing marketing activities that efficiently promote user loyalty through the Rakuten Super Points program. We also emphasize the sharing of strategies among all employees and executives, the agile operation and Execution of all business operations, and the reinforcement of our management systems, so that we can adapt quickly to developments in the rapidly changing Internet business environment.

The Rakuten Group is also committed to dynamic international expansion. We want to contribute to global economic development through the long-term growth of the Rakuten Group.

(4) Challenges

The world economy and the Internet sector are in a period of rapid change. A key challenge for the Rakuten Group is to create a business structure that supports long-term global growth in this environment.

1. We will encourage Rakuten Group Members to use multiple services by enhancing our settlement services, which include online banking, credit cards and e-money. By these activities we will seek to further strengthen the Rakuten Eco-System business model in Japan.
2. By continually creating attractive new functions and services, such as social media marketing and personalization of services, within the EC Business and in other areas, we aim to strengthen our competitiveness in the Japanese market and achieve sustained growth.
3. We will expand our R&D organization and engineering resources into the development of new Internet technologies, such as cloud computing, to ensure that we keep pace with rapid innovation by quickly introducing advanced, low-cost services.
4. We will extend our Japanese business model, the Rakuten Eco-System, internationally so that we contribute to the development of Internet-based industries and economic growth in Japan and other countries.
5. To sustain our medium- to long-term growth as a global company, we will train human resources, develop information systems, improve the efficiency of our back-office structures organization, and build robust management systems.

Financial Results

(1) Consolidated Balance Sheets

(Millions of yen)

	As of Dec 31, 2008	As of Dec 31, 2009
(Assets)		
Current assets		
Cash and deposits	88,588	96,233
Notes and accounts receivable-trade	32,241	37,842
Accounts receivable-installment	93,631	93,111
Accounts receivable-installment sales-credit guarantee	3,550	2,833
Beneficial interests in securitized assets	101,572	41,774
Cash segregated as deposits for Securities Business	214,891	223,908
Margin transaction assets for Securities Business	81,153	119,060
Short term guarantee deposits for Securities Business	11,429	—
Operating loans	188,695	177,806
Short-term investment securities	2,629	18,014
Securities for Banking Business	—	524,379
Deferred tax assets	12,829	13,680
Loans for Banking Business	—	92,876
Other	55,127	114,682
Allowance for doubtful accounts	(36,073)	(42,078)
Current assets	850,267	1,514,125
Noncurrent assets		
Property, plant and equipment	21,114	19,524
Intangible assets		
Goodwill	65,083	87,047
Other	28,229	33,481
Intangible assets	93,313	120,528
Investments and other assets		
Investment securities	82,846	59,314
Deferred tax assets	15,510	26,135
Other	29,294	23,990
Allowance for doubtful accounts	(5,407)	(4,380)
Investments and other assets	122,242	105,058
Noncurrent assets	236,670	245,111
Assets	1,086,937	1,759,236

	As of Dec 31, 2008	As of Dec 31, 2009
(Liabilities)		
Current liabilities		
Notes and accounts payable-trade	20,209	28,231
Accounts payable-credit guarantee	3,550	2,833
Commercial Paper	14,000	18,600
Short-term loans payable	270,335	149,736
Deposits for Banking Business	—	698,353
Current portion of bonds	4,990	4,246
Income taxes payable	10,697	12,564
Deferred tax liabilities	91	3,159
Deposits received	33,282	—
Deposits received for Securities Business	142,608	142,599
Margin transaction liabilities for Securities Business	53,538	59,015
Guarantee deposits received for Securities Business	88,749	89,122
Payable secured by securities for securities business	4,607	—
Provision	13,452	12,317
Other	42,741	146,262
Current liabilities	702,855	1,367,044
Noncurrent liabilities		
Bonds payable	13,020	18,987
Long-term loans payable	181,065	138,332
Deferred tax liabilities	8,266	460
Provision for loss on interest repayment	15,364	10,275
Other provisions	374	356
Other	4,046	2,420
Noncurrent liabilities	222,137	170,833
Reserves under the special laws		
Reserve for financial products transaction liabilities	3,206	2,728
Reserve for commodities transaction liabilities	11	11
Reserves under the special laws	3,217	2,739
Liabilities	928,210	1,540,617
(Net assets)		
Shareholders' equity		
Capital stock	107,534	107,605
Capital surplus	119,565	115,899
Retained earnings	(76,408)	(20,410)
Treasury stock	(11)	(11)
Shareholders' equity	150,680	203,083
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	655	1,841
Deferred gains or losses on hedges	(335)	(305)
Foreign currency translation adjustment	(1,297)	(1,274)
Valuation and translation adjustments	(977)	261
Subscription rights to shares	243	608
Minority interests	8,781	14,666
Net assets	158,727	218,619
Liabilities and net assets	1,086,937	1,759,236

(2) Consolidated Income Statements

Fiscal year ended Dec 31, 2009

(Millions of yen)

	Fiscal year ended Dec 31, 2008 (Jan 1 to Dec 31, 2008)	Fiscal year ended Dec 31, 2009 (Jan 1 to Dec 31, 2009)
Net sales	249,883	298,252
Cost of sales	55,346	70,039
Gross profit	194,536	228,212
Selling, general and administrative expenses	147,385	171,563
Operating income	47,151	56,649
Non-operating income		
Interest income	170	183
Dividend income	867	185
Foreign exchange income	—	15
Equity in income of affiliates	—	527
Other	616	554
Non-operating income	1,654	1,465
Nonoperating expenses		
Interest expenses	2,223	2,215
Commission fee	1,244	645
Foreign exchange loss	68	—
Equity in losses of affiliates	116	—
Other	621	362
Non-operating expenses	4,274	3,223
Ordinary income	44,531	54,890
Extraordinary income		
Gain on sales of noncurrent assets	121	—
Gain on receipt of investment securities	267	—
Reversal of reserve for financial products transaction liabilities	714	478
Reversal of provision for loss on business liquidation	184	351
Gain on change in equity	30	4,034
Other	72	572
Extraordinary income	1,390	5,436
Extraordinary loss		
Loss on sales of noncurrent assets	145	—
Loss on retirement of noncurrent assets	1,855	1,086
Office transfer expenses	690	—
Provision for loss on business liquidation	4,481	—
Loss on valuation of investment securities	67,176	1,773
Restructuring loss	—	695
Impairment loss	5,417	2,125
Other	1,144	2,116
Extraordinary loss	80,911	7,797
Income before income taxes and minority interests	(34,989)	52,529
Income taxes-current	15,695	17,451
Income taxes-deferred	4,911	(18,058)
Income taxes	20,606	(607)
Minority interests in income (loss)	(617)	(427)
Net income	(54,977)	53,564

(3) Consolidated Statements of Changes in Net Assets

(Millions of yen)

	Fiscal year ended Dec31, 2008 (Jan 1 to Dec 31, 2008)	Fiscal year ended Dec31, 2009 (Jan 1 to Dec 31, 2009)
Shareholders' equity		
Capital stock		
Capital stock	107,453	107,534
Changes of items during the period		
Issuance of new shares	81	70
Total changes of items during the period	81	70
Capital stock	107,534	107,605
Capital surplus		
Capital surplus	119,484	119,565
Changes of items during the period		
Issuance of new shares	81	70
Dividends from surplus	—	(1,308)
Deficit Disposition	—	(2,428)
Disposal of treasury stock	—	0
Total changes of items during the period	81	(3,666)
Capital surplus	119,565	115,899
Retained earnings		
Retained earnings	(20,122)	(76,408)
Changes of items during the period		
Dividends from surplus	(1,307)	—
Deficit Disposition	—	2,428
Net income	(54,977)	53,564
Change of scope of consolidation	(0)	5
Total changes of items during the period	(56,285)	55,997
Retained earnings	(76,408)	(20,410)
Treasury stock		
Treasury stock	(10)	(11)
Changes of items during the period		
Purchase of treasury stock	(0)	—
Disposal of treasury stock	—	0
Total changes of items during the period	(0)	0
Treasury stock	(11)	(11)
Total shareholders' equity		
Shareholders' equity	206,804	150,680
Changes of items during the period		
Issuance of new shares	162	141
Dividends from surplus	(1,307)	—
Dividends from surplus other capital surplus	—	(1,308)
Net income	(54,977)	53,564
Change of scope of consolidation	(0)	5
Purchase of treasury stock	(0)	—
Disposal of treasury stock	—	0
Total changes of items during the period	(56,123)	52,402
Shareholders' equity	150,680	203,083

(Millions of yen)

	Fiscal year ended Dec31, 2008 (Jan 1 to Dec 31, 2008)	Fiscal year ended Dec31, 2009 (Jan 1 to Dec 31, 2009)
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Valuation difference on available-for-sale securities	(21,076)	655
Changes of items during the period		
Net changes of items other than shareholders' equity	21,732	1,185
Total changes of items during the period	21,732	1,185
Valuation difference on available-for-sale securities	655	1,841
Deferred gains or losses on hedges		
Deferred gains or losses on hedges	26	(335)
Changes of items during the period		
Net changes of items other than shareholders' equity	(362)	30
Total changes of items during the period	(362)	30
Deferred gains or losses on hedges	(335)	(305)
Foreign currency translation adjustment		
Foreign currency translation adjustment	81	(1,297)
Changes of items during the period		
Net changes of items other than shareholders' equity	(1,379)	22
Total changes of items during the period	(1,379)	22
Foreign currency translation adjustment	(1,297)	(1,274)
Total valuation and translation adjustments		
Valuation and translation adjustments	(20,968)	(977)
Changes of items during the period		
Net changes of items other than shareholders' equity	19,991	1,238
Total changes of items during the period	19,991	1,238
Valuation and translation adjustments	(977)	261
Subscription rights to shares		
Subscription rights to shares	127	243
Changes of items during the period		
Net changes of items other than shareholders' equity	115	365
Total changes of items during the period	115	365
Subscription rights to shares	243	608
Minority interests		
Minority interests	7,859	8,781
Changes of items during the period		
Net changes of items other than shareholders' equity	921	5,885
Total changes of items during the period	921	5,885
Minority interests	8,781	14,666
Net assets		
Net assets	193,823	158,727
Changes of items during the period		
Issuance of new shares	162	141
Dividends from surplus	(1,307)	—
Dividends from surplus other capital surplus	—	(1,308)
Net income	(54,977)	53,564
Change of scope of consolidation	(0)	5
Purchase of treasury stock	(0)	—
Disposal of treasury stock	—	0
Net changes of items other than shareholders' equity	21,027	7,489
Total changes of items during the period	(35,096)	59,892
Net assets	158,727	218,619

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal year ended Dec 31, 2008 (Jan 1 to Dec 31, 2008)	Fiscal year ended Dec 31, 2009 (Jan 1 to Dec 31, 2009)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	(34,989)	52,529
Depreciation and amortization	12,284	14,361
Amortization of goodwill	3,930	5,523
Increase (decrease) in allowance for doubtful accounts	(8,125)	(6,918)
Increase (decrease) in provision for loss on interest repayment	(4,710)	(5,089)
Loss (gain) on change in equity	(30)	(4,034)
Interest and dividends income	(1,038)	—
Interest expenses	2,223	2,215
Equity in (earnings) losses of affiliates	116	—
Loss (gain) on valuation of securities for bank business	—	2,478
Loss (gain) on sales of securities for bank business	—	(110)
Loss (gain) on valuation of investment securities	67,176	1,773
Loss (gain) on sales of noncurrent assets	145	—
Loss on retirement of noncurrent assets	1,855	1,103
Other loss (gain)	4,780	615
Decrease (increase) in notes and accounts receivable-trade	(4,145)	(3,470)
Decrease (increase) in accounts receivable-installment	(22,892)	519
Decrease (increase) in accounts receivable-installment sales-credit guarantee	946	—
Decrease (increase) in beneficial interests in securitized assets	8,571	39,798
Decrease (increase) in operating loans receivable	(29,731)	(81,433)
Decrease (increase) in inventories	(210)	—
Increase (decrease) in notes and accounts payable-trade	3,544	7,138
Increase (decrease) in accounts payable-credit guarantee	(946)	—
Increase (decrease) in accounts payable-other and accrued expenses	(1,400)	—
Increase (decrease) in advances received	274	—
Increase (decrease) in deferred installment income	(142)	—
Increase (decrease) in deposits for the Banking Business	—	(73,046)
Decrease (increase) in call loans for the Banking Business	—	21,000
Decrease (increase) in loans for the Banking Business	—	4,668
Decrease (increase) in operating receivables for security business	128,326	(45,686)
Decrease (Increase) In Cash Segregated As Deposits For securities business	—	4,700
Increase (decrease) in operating payable for the Securities Business	(77,629)	5,842
Increase (decrease) in reserve for financial products transaction liability	(714)	—
Increase (decrease) in loans payable secured by securities for the Securities Business	(36,058)	5,504
Other, net	(2,574)	12,788
Subtotal	8,836	(37,228)
Payments for guarantee deposits for business operation	(23)	(2,665)
Proceeds from guarantee deposits for business operation	142	40
Income taxes paid	(23,452)	(16,419)
Income taxes refund	1,030	1,053
Net cash provided by (used in) operating activities	(13,466)	(55,218)
Net cash provided by (used in) investment activities		
Payments into time deposits	(9,296)	(10,982)
Proceeds from withdrawal of time deposits	3,872	8,385
Acquisition of securities for Banking Business	—	(526,819)
Proceeds from sales and redemption of securities for the Banking Business	—	723,626
Purchase of investment securities	(21,070)	—
Proceeds from sales and redemption of investment securities	186	—
Proceeds from partial payment due to share purchase demand	—	40,000
Purchase of investments in subsidiaries	(404)	(1,670)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(537)	(3,292)
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	195	—
Purchase of property, plant and equipment	(3,698)	(2,885)
Proceeds from sales of property, plant and equipment	1,663	200

	Fiscal year ended Dec 31, 2008	Fiscal year ended Dec 31, 2009
	(Jan 1 to Dec 31, 2008)	(Jan 1 to Dec 31, 2009)
Purchase of intangible assets	(12,847)	(10,029)
Payments for lease and guarantee deposits	(257)	(1,165)
Proceeds from collection of lease and guarantee deposits	1,350	1,405
Payments of loans receivable	(101)	—
Collection of loans receivable	104	—
Other payments	(3,008)	(1,006)
Other proceeds	1,753	694
Interest and dividends income received	1,120	699
Net cash provided by (used in) investment activities	(40,976)	217,160
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	6,904	(77,600)
Increase (decrease) in commercial papers	7,700	4,600
Proceeds from long-term loans payable	146,546	49,650
Repayment of long-term loans payable	(101,508)	(135,204)
Proceeds from issuance of bonds	9,863	1,234
Redemption of bonds	(4,990)	(6,010)
Proceeds from issuance of common stock	162	—
Proceeds from sales and leaseback	778	—
Repayments of lease obligations	(809)	(3,531)
Purchase of treasury stock	(0)	—
Purchase of treasury stock of subsidiaries in consolidation	—	(4,115)
Interest expenses paid	(2,310)	(2,245)
Proceeds from issuance of shares to minority shareholders	1,652	—
Cash dividends paid	(1,299)	(1,309)
Cash dividends paid to minority shareholders	(292)	—
Other	—	376
Net cash provided by (used in) financing activities	62,397	(174,157)
Effect of exchange rate change on cash and cash equivalents	(865)	(36)
Net increase (decrease) in cash and cash equivalents	7,088	(12,252)
Cash and cash equivalents	73,860	81,283
Increase in cash and cash equivalents from newly consolidated subsidiary	342	34,751
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(7)	(164)
Cash and cash equivalents	81,283	103,618

(Note) Consolidated Financial Statements

(Millions of yen)

Fiscal year ended Dec31, 2008 (Jan 1 to Dec31, 2008)		Fiscal year ended Dec31, 2009 (Jan 1 to Dec31, 2009)	
The breakdown of selling, general and administrative expenses is as follows;		The breakdown of selling, general and administrative expenses is as follows;	
Advertisement and promotion expenses	8,325	Point Costs	6,809
Personnel expenses	34,358	Advertisement and promotion expenses	16,772
Depreciation	11,145	Personnel expenses	41,181
Communications and Maintenance expenses	13,519	Provision for bonuses	1,897
Outsourcing expenses	21,604	Depreciation	12,849
Bad debts expenses	543	Communications and Maintenance expenses	13,235
Expenses for doubtful accounts	14,896	Outsourcing expenses	21,180
Point Costs	6,800	Expenses for doubtful accounts	16,211
Others	36,192	Others	41,427
Total	147,385	Total	171,563

(5) Business Segment Information

Fiscal year ended Dec 31, 2008 (Jan 1 to Dec 31, 2008)

(Millions of yen)

	E-Commerce	Credit and Payment	Portal Media	Travel	Securities	Professional Sports	Telecommunications	Total	Elimination	Consolidate
Sales to customers	91,073	65,911	9,680	16,198	24,806	7,963	34,249	249,883	—	249,883
Intersegment sales	1,309	843	5,614	351	1	471	3	8,595	(8,595)	—
Total Sales	92,383	66,755	15,295	16,549	24,807	8,434	34,252	258,479	(8,595)	249,883
Operating cost	66,316	56,051	15,500	9,087	20,951	9,246	33,818	210,972	(8,240)	202,732
Operating Income(loss)	26,066	10,703	(205)	7,462	3,856	(811)	434	47,507	(355)	47,151
Asset depreciation cost	285,667	417,969	8,460	16,567	373,235	11,458	11,052	1,124,411	(37,473)	1,086,937
Impairment loss	5,842	2,167	51	636	2,090	854	641	12,284	—	12,284
Capital Expenditure	90	2,494	1,131	—	1,616	—	84	5,417	—	5,417
	6,037	2,282	137	661	3,882	498	850	14,350	—	14,350

Fiscal year ended Dec 31, 2009 (Jan 1 to Dec 31, 2009)

(Millions of yen)

	E-Commerce	Credit Card	Banking	Portal Media	Travel	Securities	Professional Sports	Telecommunications	Total	Elimination	Consolidate
Sales to customers	115,002	57,698	30,301	17,621	19,320	23,549	8,360	26,396	298,252	-	298,252
Intersegment sales	1,657	2,227	1,204	6,871	360	23	472	57	12,875	(12,875)	—
Total Sales	116,660	59,926	31,505	24,493	19,681	23,573	8,833	26,454	311,127	(12,875)	298,252
Operating cost	80,438	56,613	29,087	23,329	10,880	19,109	9,450	26,091	254,998	(13,395)	241,603
Operating Income(loss)	36,222	3,312	2,418	1,164	8,801	4,463	(617)	362	56,128	520	56,649
Asset depreciation cost	310,357	304,938	789,452	11,007	24,058	408,304	11,071	9,333	1,868,523	(109,286)	1,759,236
Impairment loss	5,989	1,243	2,518	129	722	2,128	877	749	14,359	1	14,361
Capital Expenditure	434	296	1,181	15	—	7	—	190	2,125	—	2,125
	5,768	1,086	2,540	82	653	2,326	436	956	13,850	9	13,859

<<Reference>>

Consolidated Financial Statements for the three months ended Dec 31, 2009

(1) Consolidated Income Statements

(Million of Yen)

	Three months ended Dec 31, 2008 (Oct 1 to Dec 31, 2008)	Three months ended Dec 31, 2009 (Oct 1 to Dec 31, 2009)
Net sales	65,697	81,202
Cost of sales	13,721	17,927
Gross profit	51,976	63,274
Selling, general and administrative expenses	35,640	45,244
Operating income	16,335	18,029
Non-operating income		
Interest income	7	42
Dividends income	302	-
Foreign exchange income	-	6
Equity in income of affiliates	-	152
Other	94	99
Non-operating income	404	302
Non-operating expenses		
Interest expenses	740	461
Commission fee	60	241
Equity in losses of affiliates	238	-
Foreign exchange losses	108	-
Other	124	102
Non-operating expenses	1,272	806
Ordinary income	15,467	17,525
Extraordinary income		
Gain on receipt of investment securities	74	-
Other	28	(15)
Extraordinary income	102	(15)
Extraordinary Loss		
Loss on retirement of noncurrent assets	12	-
Loss on valuation of investment securities	218	701
Office transfer expenses	531	313
Loss on cancel of lease contracts	-	346
Provision for loss on business liquidation	4,481	-
Loss on valuation of investment securities	66,177	-
Impairment loss	4,171	971
Other	186	494
Extraordinary Loss	75,779	2,826
Income before income taxes and minority interests(loss)	(60,210)	14,683
Income taxes-current	5,951	4,940
Income taxes-deferred	2,405	3,548
Income taxes	8,357	8,489
Minority interests in income (Loss)	(121)	66
Net income	(68,445)	6,127

(Note) Consolidated Financial Statements

(Millions of yen)

For the three months ended Dec 31, 2008 (Oct 1 to Dec 31, 2008)	For the three months ended Dec 31, 2009 (Oct 1 to Dec 31, 2009)
The breakdown of selling, general and administrative expenses is as follows;	The breakdown of selling, general and administrative expenses is as follows;
Advertisement and promotion expenses 3,926	Point Costs 2,029
Personnel expenses 8,899	Advertisement and promotion expenses 4,680
Depreciation 2,935	Personnel expenses 11,085
Communications and Maintenance expenses 3,239	Depreciation 3,334
Outsourcing expenses 4,711	Communications and Maintenance expenses 3,341
Expenses for doubtful accounts 3,059	Outsourcing expenses 5,411
Other 8,869	Expenses for doubtful accounts 4,661
Total 35,640	Other 10,701
	Total 45,244

(2) Business segment information

For the three months ended Dec 31, 2008 (Oct 1 to Dec 31, 2008)

(Million of Yen)

	E-Commerce	Credit and Payment	Portal Media	Travel	Securities	Professional Sports	Telecommunications	Total	Elimination	Consolidated
Sales to customers	26,065	16,837	3,340	4,299	5,968	1,261	7,925	65,697	—	65,697
Intersegment sales	370	205	1,660	88	0	118	3	2,446	(2,446)	—
Total Sales	26,436	17,043	5,000	4,387	5,968	1,379	7,928	68,144	(2,446)	65,697
operating expenses	16,464	13,493	4,885	2,113	5,203	2,026	7,668	51,855	(2,493)	49,362
Operating Income(loss)	9,971	3,549	114	2,273	765	(646)	259	16,288	46	16,335

For the three months ended Dec 31, 2009 (Oct 1 to Dec 31, 2009)

(Million of Yen)

	E-Commerce	Credit Card	Banking	Portal Media	Travel	Securities	Professional Sports	Telecommunications	Total	Elimination	Consolidated
Sales to customers	34,319	15,099	7,785	5,196	4,999	5,746	1,596	6,459	81,202	-	81,202
Intersegment sales	462	668	467	1,828	158	9	120	16	3,731	(3,731)	-
Total Sales	34,781	15,767	8,253	7,024	5,157	5,755	1,716	6,476	84,934	(3,731)	81,202
operating expenses	23,067	14,791	6,868	6,521	2,779	4,670	2,292	6,333	67,324	(4,152)	63,172
Operating Income(loss)	11,714	976	1,384	503	2,378	1,084	(575)	142	17,609	420	18,029

9. Other Information

(Exercise of right to request buy-back of shares from Tokyo Broadcasting System Inc.)

On March 31, 2009, Rakuten exercised its right to request a buy-back of shares pursuant to Article 785, Paragraph 1 of the Corporate Law for its entire shareholding of 37,770,700 shares of common stock (recorded on the quarterly consolidated balance sheet at ¥49,101 million) of Tokyo Broadcasting System Inc. (now Tokyo Broadcasting System Holdings, Inc.).

Tokyo Broadcasting System Holdings, Inc. on May 1, 2009, and Rakuten, Inc. on May 14, 2009, submitted applications for determination of the acquisition price to the District Court of Tokyo. Currently, the procedures for determination of the acquisition price are pending at the District Court of Tokyo. Tokyo Rakuten, Inc. received ¥40,000 million in advance as partial payment for the relevant share to Broadcasting System Holdings, Inc. on July 31, 2009.