

Rakuten, Inc.

July 2, 2013

Notice regarding research reports by an analyst of Mitsubishi UFJ Morgan Stanley Securities

On June 21, 2013, Mr. Masato Araki, Senior Analyst of Mitsubishi UFJ Morgan Stanley Securities, published an equity research report about Rakuten. We met Mr. Araki and requested him to make improvements about the following three points:

1. The Rakuten Group operates a variety of businesses such as e-commerce, an online travel reservation site, and financial businesses, yet the depth of the analysis in his report was very low. The earnings forecast model outlined in the report was only based on total group operating expenses, with limited profit analysis by business segment.
2. Assumptions for the corporate tax rate used for earnings forecasts were unclear. Mr. Araki applied an effective tax rate for the period of 2013 through 2015 similar to the rate of 2012 when special factors pushed the effective tax rate up to 57%, though his assumptions were not explained at all.
3. The method of calculation for shareholders value was wrong from the point of view of finance theory. In the report, Mr. Araki calculated market capitalization using an 'adjusted market capitalization' derived from a certain multiple of net income, and adding 'non-operating assets' to it. However, debt was being deducted twice, because net income is essentially after interest payments and 'non-operating assets' is after deducting debt.

As a result of the meeting, we understood Mr. Araki would need time to consider point (1). Regarding our claim about point (2), this was adjusted in a report dated July 1 with a correction in the tax rates. Forecast EPS for 2013 was raised 45% from 35.8 yen to 51.8 yen. Regarding point (3), the wrong calculation method of shareholders value was corrected in the July 1 report, but the targeted PER for valuation purposes, which should reflect long term profit growth rates, was lowered, despite almost no change in the forecast rates of profit growth. For example, weighted average 2013 PER decreased from 24.8 times to 17.8 times. We believe the change in the target multiple is groundless

as there is no improvement in the analysis which we pointed out in (1).

Therefore, we judge that both Mr. Araki's past and future reports will be not be helpful for investment decisions on Rakuten, and we recommend investors do not refer to his reports. In addition, we will not accommodate any future interview requests by Mr. Araki.