Consolidated Financial Statements

Fiscal Years Ended December 31, 2013 and 2014

Rakuten, Inc. and its Consolidated Subsidiaries

This document including risk factors are translations of the Japanese original report (Yukashoken-Hokokusyo) issued on March 27, 2015 for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

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[Company Name]	Rakuten Kabushiki-Kaisha
[Company Name in English]	Rakuten, Inc.
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Part I Information on the Company

I. Overview of the Company

1. Key Financial Data and Trends

(1) Consolidated Financial Data, etc.

(Millions of Yen, unless otherwise stated)

Fiscal year		14th	15th	16th	16th	17th	18th
		JGAAP	JGAAP	JGAAP	IFRS	IFRS	IFRS
Year end		Dec. 2010	Dec. 2011	Dec. 2012	Dec. 2012	Dec. 2013	Dec. 2014
Net sales or revenue		346,144	379,900	443,474	400,444	518,568	598,565
Ordinary profit		62,301	68,267	71,514	—	—	—
Income before income tax		—	—	—	49,106	88,610	104,245
Net income (loss)		34,956	(2,287)	19,413	21,136	43,481	71,103
Comprehensive income		—	(7,706)	33,586	31,574	67,881	123,822
Net assets or equity attributable to owners of the Company		249,233	231,025	262,451	235,942	300,063	421,562
Total assets		1,949,516	1,915,892	2,108,409	2,287,634	3,209,808	3,680,695
Net assets per share or equity attributable to owners of the Company per share	Yen	18,160.62	170.89	193.73	179.48	227.70	318.74
(Basic) net (loss) income / (loss) earnings per share	Yen	2,666.28	(1.74)	14.77	15.59	32.60	53.47
Diluted net income/earnings per share	Yen	2,657.43	—	14.74	15.56	32.41	53.15
Equity ratio or equity attributable to owners of the Company ratio	(%)	12.2	11.7	12.1	10.3	9.3	11.5
Return on equity or net income to equity attributable to owners of the Company ratio	(%)	15.8	(1.0)	8.1	9.2	16.0	19.6
Price earnings ratio	(Times)	25.5	—	45.6	43.2	48.0	31.5
Net cash from/ (used in) operating activities		30,304	27,585	19,508	104,687	1,485	111,860
Net cash from/ (used in) investing activities		(60,538)	56,351	136,548	67,440	30,584	(261,085)
Net cash from/ (used in) financing activities		27,609	(34,648)	(47,099)	(56,820)	75,252	189,512
Cash and cash equivalents at end of the year		100,736	149,752	260,656	270,114	384,008	428,635
Employees	(Persons)	7,119	7,615	9,311	9,311	10,867	11,723

(Notes) 1 consolidated financial statements for the 16th fiscal year and thereafter have been prepared in accordance with the designated International Financial Reporting Standards (hereinafter referred to as the “IFRS”).

2 Fractions of less than ¥1 million are rounded off to the nearest million for the 16th IFRS fiscal year and thereafter.

3 Consumption tax is not included in Net sales or revenue.

4 Average number of shares during the fiscal year is calculated on a daily basis.

5 Diluted net income per share is not presented for the 15th fiscal year, as net loss per share is reported in the fiscal year.

6 From 16th fiscal year, the Company applies “the Accounting Standard for Earnings Per Share” (Accounting Standards Board of Japan (here in after referred to as “ASBJ”) Statement No. 2, revised June 30, 2010), “the Guidance on Accounting Standard for Earnings Per Share” (ASBJ Guidance No. 4, revised June 30, 2010) and “the Practical Solution on Accounting for Earnings Per Share” (Practical Issue Task Force (here in after referred to as “PITF”) No. 9, June 30, 2010) for JGAAP Consolidated Financial Data. Such change in the accounting policy has been applied retroactively and adjustments have been made for the 15th fiscal year. Diluted net income per share is not stated for the 15th fiscal year although potential shares exist as net loss per share is reported in the fiscal year. The Company conducted a share split on July 1, 2012. However, net assets per share or equity attributable to owners of the Company per share, net income (loss) per share, and Diluted Net income per share are calculated on the assumption that the Company conducted such share split at the beginning of the 15th fiscal year.

7 As timing to recognize provision for customer points changed in the 16th fiscal year, such change is retroactively applied to figures for the 15th fiscal year.

8 Price earnings ratio is not stated for the 15th fiscal year, as net loss per share is reported in the fiscal year.

9 Number of Employees does not include those serving concurrently as employees and Directors, temporary staff and part-time employees.

(2) Financial Data, etc. of the Company submitting Annual Securities report

(Millions of Yen, unless otherwise stated)

Fiscal year		14th JGAAP	15th JGAAP	16th JGAAP	17th JGAAP	18th JGAAP
Year end		Dec. 2010	Dec. 2011	Dec. 2012	Dec. 2013	Dec. 2014
Net sales		136,806	146,603	163,708	189,041	235,443
Ordinary profit		44,422	49,531	66,883	71,915	82,881
Net (loss) income		21,978	(8,915)	32,923	32,162	65,173
Common stock		107,779	107,959	108,255	109,530	111,601
Total number of shares issued	(Share)	13,181,697	13,194,578	1,320,626,600	1,323,863,100	1,328,603,400
Net assets		286,758	272,524	302,869	338,795	398,626
Total assets		548,501	526,067	538,309	635,301	866,457
Net assets per share	Yen	21,780.91	206.58	229.28	255.42	298.90
Dividend per share	Yen	200.00	250.00	3.00	4.00	4.50
(Interim dividend per share)	Yen	(—)	(—)	(—)	(—)	(—)
Net (loss) income per share	Yen	1,676.40	(6.79)	25.05	24.43	49.34
Diluted net income per share	Yen	1,670.87	—	24.99	24.30	49.05
Equity ratio	(%)	52.1	51.6	56.0	53.0	45.6
Return on equity	(%)	8.0	(3.2)	11.5	9.6	17.8
Price earnings ratio	(Times)	40.6	—	26.9	64.0	34.1
Dividend payout ratio	(%)	11.9	—	12.0	16.4	9.1
Number of employees	(Persons)	3,042	3,209	3,498	3,762	4,527

(Notes) 1 Consumption tax is not included in Net sales.

2 Average number of shares during the year is calculated on a daily basis.

3 Diluted net income per share is not stated for the 15th fiscal year, as net loss per share is reported in the fiscal year.

4 From 16th fiscal year and thereafter, the Company applies “the Accounting Standard for Earnings Per Share” (ASBJ Statement No. 2, revised June 30, 2010), “the Guidance on Accounting Standard for Earnings Per Share” (ASBJ Guidance No. 4, revised June 30, 2010) and “the Practical Solution on Accounting for Earnings Per Share” (PITF No. 9, June 30, 2010). Such change in the accounting policy is applied retroactively and adjustments are made for the 15th fiscal year. Diluted net income per share is not stated for the 15th fiscal year although potential shares exist as net loss per share is reported in the fiscal year. The Company conducted a share split on July 1, 2012. However, Net assets per share, Net income (loss) per share, and Diluted net income per share are calculated on the assumption that the Company conducted such share split at the beginning of the 15th fiscal year.

5 As timing to recognize provision for customer points changed in the 16th fiscal year, such change is retroactively applied to figures for the 15th fiscal year.

6 Price earnings ratio and dividend payout ratio are not stated for the 15th fiscal year, as net loss per share is reported in these years.

7 Dividend of ¥4 per share for the 17th fiscal year includes ¥1 of commemorative dividend for listing on the First Section of the Tokyo Stock Exchange.

8 Number of employees does not include those serving concurrently as employees and Directors, employees seconded to other group companies, temporary staff and part-time employees.

2. Corporate History

Period		Overview
1997	Feb	MDM Co., Ltd. is founded to develop online commerce server and operate an Internet shopping mall, Rakuten Ichiba, with capital of ¥10 million at 1-6-7 Atago, Minato-ku, Tokyo.
	May	Rakuten Ichiba, the Internet shopping mall, commences its operation.
1998	Aug	Head office is transferred to 2-8-16 Yutenji, Meguro-ku, Tokyo.
1999	Jun	MDM Co., Ltd. is renamed as Rakuten, Inc.
2000	Apr	Rakuten, Inc. is listed with the Japan Securities Dealers Association.
	May	Head office is transferred to 2-6-20 Nakameguro, Meguro-ku, Tokyo.
2001	Mar	Rakuten Travel starts its services.
2002	Nov	Rakuten Super Points program is introduced.
2003	Sep	Rakuten, Inc. acquires 100% of shares in MyTrip.net, an accommodations booking sites operator.
	Oct	Head office is transferred to 6-10-1 Roppongi, Minato-ku, Tokyo.
	Nov	Rakuten, Inc. consolidates DLJdirect SFG Securities (currently Rakuten Securities, Inc.) as a subsidiary.
2004	Oct	Rakuten Baseball, Inc. is founded.
	Nov	Nippon Professional Baseball approves new entry of Tohoku Rakuten Golden Eagles.
	Dec	Rakuten, Inc. goes public on Jasdaq Securities Exchange Inc. (currently Tokyo Securities Exchange JASDAQ (standard)).
2005	Jun	Rakuten, Inc. consolidates Kokunai Shinpan Co., Ltd. (former Rakuten KC Co., Ltd.) as a subsidiary.
	Sep	Rakuten, Inc. acquires 100% of shares in LinkShare Corporation (currently RAKUTEN MARKETING LLC) through Rakuten USA, Inc.
2007	Aug	Rakuten, Inc. consolidates Fusion Communications which operates IP telephony business as a subsidiary.
2008	Apr	Head office is transferred to 4-12-3 Higashishinagawa, Shinagawa-ku, Tokyo.
2009	Feb	Rakuten, Inc. converts preferred stocks of eBank Corporation (currently Rakuten Bank, Ltd.) into common stocks, and consolidates the company as a subsidiary.
2010	Jan	Rakuten, Inc. consolidates bitWallet, Inc., (currently Rakuten Edy, Inc.) as a subsidiary.
	Jul	Buy.com Inc. (currently RAKUTEN COMMERCE LLC), an e-commerce site operator in the U.S., becomes a wholly owned subsidiary of Rakuten, Inc. through Rakuten USA, Inc.
	Jul	PRICEMINISTER S.A. (currently PRICEMINISTER S.A.S.), an e-commerce site operator in France, becomes a wholly owned subsidiary through Rakuten Europe S.a.r.l.

Period		Overview
2011	Aug	Rakuten Card-related business of Rakuten KC Co., Ltd., is transferred to Rakuten Credit Co., Ltd. (currently Rakuten Card Co., Ltd.) in an absorption-type split and Rakuten Inc. sells its holding of Rakuten KC's shares, etc.
	Oct	Rakuten, Inc. acquires 100% of shares in Play Holdings Limited (currently Rakuten UK Shopping S.a.r.l), one of the UK's e-commerce platform providers.
2012	Jan	Rakuten, Inc. acquires 100% of shares in Kobo Inc. (currently Rakuten Kobo Inc.) which offers e-book services worldwide.
	May	Rakuten, Inc. acquires shares in Kenko.com, Inc. through a third party allocation and makes the company a subsidiary.
	Jun	Rakuten, Inc. acquires 100% of shares in Wuaki. TV, S.L. that provides video streaming services in Spain.
	Oct	Rakuten, Inc. additionally acquires shares in AIRIO Life Insurance Co., Ltd. (currently Rakuten Life Insurance Co., Ltd.), an associate accounted for using the equity method, and makes the company a subsidiary.
2013	Sep	Rakuten, Inc. acquires 100% of shares in VIKI, Inc. that provides video streaming services worldwide.
	Nov	Tohoku Rakuten Golden Eagles win the first victory in the Nippon Series.
	Dec	Rakuten, Inc. changes the stock marketing listing to the First Section of the Tokyo Stock Exchange.
2014	Mar	Rakuten, Inc. acquires 100% of shares in VIBER MEDIA LTD. which operates mobile messaging and VoIP services worldwide.
	Oct	Rakuten, Inc. acquires 100% of shares in Ebates Inc. which operates leading membership-based online cash-back site in the U.S.

3. Description of Business

As a comprehensive Internet service provider engaged in two main business activities, Internet Services and Internet Finance, the Group Companies embrace three reportable segments that are “Internet Services,” “Internet Finance” and “Others.”

Each of these segments has available financial information, which is separate from the Group Companies’ business units and is individually subject to review by the Board of Directors, regularly to make decisions about resources to be allocated to the segment and assess its performance.

“Internet Services” segment comprises business running various e-commerce (electronic commerce) sites including an Internet shopping mall Rakuten Ichiba, online cash back sites, travel booking sites, portal sites and digital contents sites, along with business for sales of advertising on these sites.

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

“Others” segment comprises business involving provision of messaging and communication services and others, and management of a professional baseball team and others.

The following segments are classified in the same way as in the “Segment Information” stated in the notes of the consolidated financial statements.

Descriptions of the significant services provided by the Group Companies and the main entities involved in such services are as follows.

Internet Services

Significant services provided	Main entities involved in such services
Internet shopping mall service, Rakuten Ichiba	Rakuten, Inc.
Online book store, Rakuten Books	Rakuten, Inc.
Online golf course reservation service, Rakuten GORA	Rakuten, Inc.
A comprehensive Internet travel site, Rakuten Travel	Rakuten, Inc.
Internet shopping sites	Kenko.com, Inc.
e-book services	Rakuten Kobo Inc.
Performance marketing services	RAKUTEN MARKETING LLC
PRICEMINISTER, an EC site based primarily in France	PRICEMINISTER S.A.S.
Rakuten.com Shopping, an EC site based primarily in the U.S.	RAKUTEN COMMERCE LLC
Video streaming services	VIKI, Inc.
EBATES, an EC site based primarily in the U.S.	Ebates Inc.

Internet Finance

Significant services provided	Main entities involved in such services
Issuance of credit card, Rakuten Card and provision of related services	Rakuten Card Co., Ltd.
Internet banking service	Rakuten Bank, Ltd.
Online securities trading service	Rakuten Securities, Inc.
Life insurance business	Rakuten Life Insurance Co., Ltd.
Planning and Management of Edy business that supplies prepaid electronic money	Rakuten Edy, Inc.

Others

Significant services provided	Main entities involved in such services
Transit telephone service and IP telephone services	Fusion Communications Corporation
Professional baseball team, Tohoku Rakuten Golden Eagles and related businesses	Rakuten Baseball, Inc.
Bridal information service, O-net	O-net, Inc.
Mobile messaging and VoIP services	VIBER MEDIA LTD.

[Business Organization Chart]

The Group Companies' business described above can be illustrated in the following business organization chart.

4. Information on Subsidiaries and Associates

Company name	Location	Paid in capital	Principal business	Ratio of voting rights holding (held)	Relationship	Note
Consolidated Subsidiaries						
Rakuten Auction, Inc.	Shinagawa-ku, Tokyo	1,650 million yen	Internet Services	60.0	Involving interlocking directorates	
RAKUTEN MARKETING LLC	U.S.	1 U.S. dollar	Internet Services	100.0 (100.0)	Involving interlocking directorates	Note 9
LinkShare Japan K.K.	Shinagawa-ku, Tokyo	259 million yen	Internet Services	100.0 (27.5)	Involving interlocking directorates	
RAKUTEN COMMERCE LLC	U.S.	11 million U.S. dollar	Internet Services	100.0 (100.0)	Involving interlocking directorates	Note 10
PRICEMINISTER S.A.S.	France	356 thousand euros	Internet Services	100.0 (100.0)	Involving interlocking directorates	
Rakuten Kobo Inc.	Canada	823 million Canadian dollars	Internet Services	100.0	Involving interlocking directorates	Note 7 Note 8
Kenko.com, Inc.	Minato-ku, Tokyo	2,204 million yen	Internet Services	56.8 (10.5)	Involving interlocking directorates	Note 6
VIKI, Inc.	U.S.	1 U.S. dollar	Internet Services	100.0 (100.0)	Involving interlocking directorates	
Ebates Inc.	U.S.	0.1 U.S. dollar	Internet Services	100.0 (100.0)		Note 2
Rakuten Bank, Ltd.	Shinagawa-ku, Tokyo	25,954 million yen	Internet Finance	100.0	Involving interlocking directorates	Note 7
Rakuten Securities, Inc.	Shinagawa-ku, Tokyo	7,496 million yen	Internet Finance	100.0	Involving interlocking directorates	
Rakuten Card Co., Ltd.	Shinagawa-ku, Tokyo	19,324 million yen	Internet Finance	100.0	Involving interlocking directorates	Note 7 Note 11
Rakuten Edy, Inc.	Shinagawa-ku, Tokyo	1,840 million yen	Internet Finance	100.0	Involving interlocking directorates	
Rakuten Life Insurance Co., Ltd.	Minato-ku, Tokyo	2,500 million yen	Internet Finance	100.0	Involving interlocking directorates	
Rakuten Baseball, Inc.	Miyagino-ku, Sendai-shi, Miyagi	400 million yen	Others	100.0	Involving interlocking directorates Involving provision of loans	
Fusion Communications Corporation	Chiyoda-ku, Tokyo	2,026 million yen	Others	55.0	Involving interlocking directorates	
VIBER MEDIA LTD.	Cyprus	71 thousand U.S. dollar	Others	100.0 (100.0)	Involving interlocking directorates	Note 2
Associate Accounted for Using the Equity Method						
Rakuten ANA Travel Online Co., Ltd.	Shinagawa-ku, Tokyo	90 million yen	Internet Services	50.0		
TECHMATRIX CORPORATION	Minato-ku, Tokyo	1,298 million yen	Internet Services	31.6	Involving interlocking directorates	Note 6

(Notes) 1 Names of business segments in the segment information are stated in the box of

Principal business.

2 This company newly became a subsidiary during the current fiscal year.

3 There are 95 consolidated subsidiaries other than stated above.

4 There are seven associates accounted for using equity method.

5 Figures in the brackets represent percentage of indirect holding included in Ratio of voting rights holding.

6 This company is obliged to file securities reports and securities registration statements.

7 This company is a specified subsidiary.

8 Rakuten Kobo Inc. changed its name from Kobo Inc. as of July 1, 2014.

9 RAKUTEN MARKETING LLC changed its name from LinkShare Corporation as of July 31, 2014.

10 RAKUTEN COMMERCE LLC changed its name from Buy.com Inc. as of July 31, 2014.

11 Revenue from Rakuten Card Co., Ltd. (excluding the internal revenue recorded among consolidated companies) accounts for more than 10% in consolidated revenue.

Key data of income or loss

(Millions of Yen)

	Rakuten Card Co., Ltd.
Revenue	98,163
Income before income tax	18,700
Net income	11,259
Total equity	59,856
Total assets	849,912

5. Employees

(1) Consolidated Companies

As of December 31, 2014

Name of business segments	Number of employees
Internet Services	9,035
Internet Finance	1,984
Others	623
Company-wide (common)	81
Total	11,723

(Notes) 1 Number of employees represents the number of persons engaged, excluding those serving concurrently as employees and Directors, temporary staff and part-time employees.

2 Company-wide (common) figure primarily represents the number of employees in Administrative Department that cannot be classified into a certain segment.

(2) Company Submitting Financial Reports

As of December 31, 2014

Number of employees	Average age	Average length of service	Average annual salary (Yen)
4,527	32.8	4.3	6,607,979

Name of business segments	Number of employees
Internet Services	4,527
Internet Finance	—
Others	—
Company-wide (common)	—
Total	4,527

(Notes) 1 Number of employees represents the number of persons engaged, excluding those serving concurrently as employees and Directors, employees seconded to other companies, temporary staff and part-time employees.

2 Average annual salary includes bonus and extra wage.

(3) Status of Labor Union

In the absence of labor union in the Company, relationship between labor and management is stable.

II. Business Overview

1. Summary of Results

(1) Business Results

In the world economy during the fiscal year ended December 31, 2014, there was increasing uncertainty concerning factors such as the impact of reduced monetary easing by the U.S., the economic outlook in emerging nations and crude oil price movements. Meanwhile, in the Japanese economy, despite the risk of factors such as the cooling in consumer sentiment following the consumption tax hike causing downward pressure on the economy, a moderate recovery has continued against a backdrop of improvements in the wage and employment environment.

Meanwhile, according to the most recent White Paper on Information and Communications released by the Ministry of Internal Affairs and Communications*, information and communications technology (ICT) such as Internet and mobile phones is spreading rapidly in many newly developing regions as well. The number of Internet users worldwide continues to rise, climbing from 1.02 billion globally in 2005 to 2.92 billion in 2014. In particular, the number of smartphone users, who are the customer base for mobile Internet, is said to reach 1.75 billion.

Under such environment, the Rakuten Group has further promoted its growth strategy. In March 2014, we acquired VIBER MEDIA LTD. (hereinafter “Viber”), which operates a mobile messaging service and VoIP service on a global scale, and made it a wholly owned subsidiary. We believe that Viber’s wide customer base will complement the Group’s digital strategy, while firming up our platform for global expansion of Internet Services and Internet Finance services. In addition, in October 2014, the Group acquired Ebates Inc. (hereinafter “Ebates”), provider of the leading membership-based online cash-back site in the U.S., and made it a wholly owned subsidiary. By integrating Ebates’ strong retail network with the business assets and technology of the Rakuten Group, we believe Rakuten Group can develop a unique and innovative e-commerce platform.

In addition, in Internet Services, the Rakuten Group enhanced its services for smart devices (smartphones and tablet devices), and promoted Rakuten Ichiba’s B2B2C marketplace model business to the world through large-scale sales events such as the Rakuten Super Sale. In Internet Finance, the membership base for Rakuten Card expanded further. 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, 2014 achieved revenue of ¥598,565 million, up 15.4% year-on-year, operating income of ¥106,397 million, up 17.9% year-on-year, and net income attributable to owners of the Company of ¥70,614 million, up 64.6% year-on-year.

(Millions of Yen)

	Fiscal year ended December 31, 2013	Fiscal year ended December 31, 2014	Amount Change YoY	% Change YoY
Revenue	518,568	598,565	79,997	15.4%
Operating income	90,244	106,397	16,153	17.9%
Net income attributable to owners of the Company	42,900	70,614	27,714	64.6%

* Source: 2014 Status Report of the Information and Communication (Ministry of Internal Affairs and Communications)

Business results for each segment are as follows:

(Internet Services)

In the Internet Services segment for the fiscal year ended December 31, 2014, 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 the Rakuten Super Sale among other initiatives in its core Rakuten Ichiba service. As a result of these initiatives, despite the discontinuation of events including the Rakuten VictorySale that contributed significantly to business results during the previous fiscal year, domestic e-commerce gross merchandise sales continued high level of growth, rising by 13.7% over the previous fiscal year. In Travel services, demand was strong for services including leisure travel sales, corporate services, car rental, and inbound services.

With regard to overseas e-commerce services, Rakuten contributed to the growth in gross merchandise sales by focusing on marketplace-model services while also horizontally rolling out a range of expertise that have proven successful in Japan. In addition, Ebates was made into a subsidiary in October 2014, which resulted in the expansion of operations.

Furthermore, in contents services, we continued strategic investments for future profit growth, while making efforts such as an initiative to reduce fixed costs. Consequently, the performance is improving.

As a result, revenue for the segment rose to ¥362,751 million, a 15.1% 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 ¥58,806 million. Year-on-year, this represented an 23.9% 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, 2013	Fiscal year ended December 31, 2014	Amount Change YoY	% Change YoY
Segment Revenue	315,228	362,751	47,523	15.1%
Segment Profit	47,455	58,806	11,351	23.9%

(Internet Finance)

In the Internet Finance segment for the fiscal year ended December 31, 2014, in credit card and related services, shopping transaction value, accompanying an increase in Rakuten Card membership, rose significantly over the previous fiscal year. Moreover, solid growth in revolving balances resulted in a rise in income including commission income, and notable growth continues in profit. In securities services, balances of investment trusts that will lead to the stabilization of revenue grew significantly, while commissions on foreign exchange services were also robust. However, these services were affected by stock market conditions and other factors compared with the previous fiscal year. Meanwhile, in banking services, both revenue and profits grew significantly due to the steady growth in loan balances.

As a result of the above, the Internet Finance segment recorded ¥236,520 million in revenue, 17.4% increase over the previous fiscal year, while segment profit was ¥48,399million, 9.6% increase over the previous fiscal year.

(Millions of Yen)

	Fiscal year ended December 31, 2013	Fiscal year ended December 31, 2014	Amount Change YoY	% Change YoY
Segment Revenue	201,494	236,520	35,026	17.4%
Segment Profit	44,174	48,399	4,225	9.6%

(Others)

During the fiscal year ended December 31, 2014, revenue in the others segment firmed up as the professional sports division was strong due to the transfer fee revenue accompanying the transfer of key players in addition to the growth in sponsor revenue and sales of related goods. Meanwhile, strategic investments have been made for the future growth of Viber, which became a consolidated subsidiary in March 2014.

As a result, revenue for the segment was ¥42,445 million, an 18.7% year-on-year increase, while segment loss was ¥639 million, -% year-on-year.

(Millions of Yen)

	Fiscal year ended December 31, 2013	Fiscal year ended December 31, 2014	Amount Change YoY	% Change YoY
Segment Revenue	35,746	42,445	6,699	18.7%
Segment Profit	3,762	(639)	(4,401)	—%

(2) Cash Flows

Cash and cash equivalents at the end of the fiscal year on December 31, 2014 was ¥428,635 million, an increase of ¥44,627 million from the end of the previous fiscal year. Among these, deposit with the Bank of Japan for banking business was ¥246,411 million, an increase of ¥16,112 million from the end of the previous fiscal year. Cash flow conditions and their major factors for the fiscal year on December 31, 2014 are as follows:

(Cash flows from operating activities)

Net cash flows from operating activities for the fiscal year ended December 31, 2014 resulted in a cash inflow of ¥111,860 million (compared with a cash inflow of ¥1,485 million for the previous fiscal year). Primary factors included a cash outflow of ¥148,572 million for an increase in loans for credit card business, a cash inflow of ¥177,383 million for an increase in deposits for banking business, and recording of ¥104,245 million for income before income tax.

(Cash flows from investing activities)

Net cash flows from investing activities for the fiscal year ended December 31, 2014 resulted in a cash outflow of ¥261,085 million (compared with a cash inflow of ¥30,584 million for the previous fiscal year). Primary factors included a cash outflow of ¥174,469 million for acquisition of subsidiaries, and a net cash outflow of ¥23,697 million for purchase and sales of investment securities for banking business (a cash outflow of ¥365,787 million for the purchase of investment securities and a cash inflow of ¥342,090 million for proceeds from sales and redemption of investment securities).

(Cash flows from financing activities)

Net cash flows from financing activities for the fiscal year ended December 31, 2014 resulted in a cash inflow of ¥189,512 million (compared with a cash inflow of ¥75,252 million for the previous fiscal year). Primary factors included a net cash inflow of ¥169,043 million for proceeds and repayment of long-term debt (a cash inflow of ¥251,860 million for proceeds from long-term debt and a cash outflow of ¥82,817 million for repayment of long-term debt), and a cash inflow of ¥29,828 million for proceeds from issuance of bonds.

(3) Difference between the main items of the consolidated financial statements prepared in accordance with IFRS, and the comparable items of the consolidated financial statements prepared in accordance with JGAAP

For the year ended December 31, 2014

1) Revenue

Future financial costs, due to the points granted under the point programs to encourage repeated access and shopping by customers, are recorded as a provision for point card certificates as part of operating expenses in accordance with JGAAP, whereas in accordance with IFRS, such costs associated with the points deemed to meet the requirements of IFRIC 13 “Customer Loyalty Programmes” are deducted from revenue at the time they are granted. Due to this difference, revenue in accordance with IFRS is approximately ¥35,684 million less than that in accordance with JGAAP.

For sales of books by the Group Companies, revenue is recorded and associated cost of sales is presented on gross basis in accordance with JGAAP. Since in accordance with IFRS such transactions are deemed to be conducted by the Group Companies as an agent of third parties, revenue is presented on a net basis. Due to this difference, revenue in accordance with IFRS is approximately ¥26,488 million less than that in accordance with JGAAP.

2) Operating income

Goodwill is amortized on a regular basis for certain period of time in accordance with JGAAP, while in accordance with IFRS goodwill is not subject to amortization but an annual impairment test is required. Due to this difference, operating income in accordance with IFRS is approximately ¥14,202 million more than that in accordance with JGAAP.

2. Production, Order and Sales Status

(1) Production Results

As the Group Companies provide various Internet-based services as their main line of business, without any activities classified as production, no information is presented in respect of production result.

(2) Order Results

As the Group Companies are not engaged in any make-to-order production, no information is presented in respect of order results.

(3) Sales Results

By segment sales results in the current fiscal year are as follows.

Name of business segments	Revenue (Millions of Yen)	Year-on-year (%)
Internet Services	362,751	15.1
Internet Finance	236,520	17.4
Others	42,445	18.7
Intersegment transactions	(43,151)	—
Total	598,565	15.4

(Note) Consumption tax is not included in the above amounts.

3. Challenges

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

(1) Management structure

The Rakuten Shugi (Rakuten principles) define the corporate philosophy of the Rakuten Group together with its values and code of conduct. We will make sure that these principles are assimilated by executives and employees in Japan and overseas as we increase our business speed and quality. Furthermore, we will strengthen 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. With a company the Group acquired, Ebates Inc., we will develop a next-generation type e-commerce platform in Japan and overseas and aim to lead global e-commerce markets.

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.

4) Telecommunications services

Through a messaging apps developed by Viber, which the Group acquired, and telecommunications services such as mobile virtual network operator (MVNO) service, we will pursue the expansion of membership base of the Rakuten Eco-System as well as further improvement in user-friendliness.

(3) Development of technology

In order to ensure stable and efficient operations, we will aim to build a globally unified 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.

4. Business Risk and Other Risk Factors

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

Unless otherwise stated, all forward-looking statements herein are based on judgments by the Group Companies as of the date of filing of the Yukashoken-Hokokusho to the Financial Services Agency of the Japanese government. They are subject to uncertainty and could differ from actual results.

1 Risks Relating to Business Environment

(1) Growth Potential of the Internet Industry

The Group Companies are primarily active in the Internet sector. They provide a variety of services, both domestic and overseas.

Given the worldwide growth in Internet users, the expansion of business-to-consumer e-commerce and other factors, we anticipate continuing growth trends in both gross transaction value and the number of unique buyers* on the Group Companies websites. However, the Group Companies' financial performance could be affected if the growth of the Internet sector as a whole and the e-commerce market decelerates because of external factors, such as regulatory systems that limit Internet use, growing awareness of information security issues, especially in relation to personal information, or because of economic trends, excessive competition or other factors, and if as a result of these factors gross transaction value on the Group Companies' websites fails to expand as expected. Sales from Internet advertising and similar sources makeup a certain share of the Group Companies' net sales. Since the advertising market is highly likely to be affected by economic trends, the Group Companies' financial performance could be affected if there is a downturn in business confidence.

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

(2) Competition

As the number of Internet users increases, many companies are moving into Internet-related services across a wide spectrum of product categories and service formats. In addition to its Internet-related service operations, the Group Companies also face competition from numerous companies in its other areas of service.

The Group Companies aim to expand their services by continuously enhancing their response to customer needs. However, it is possible that these initiatives will fail to yield the anticipated benefits, or that the revenues of the Group Companies will fall because of changes in the competitive environment, such as the emergence of a competitor with revolutionary services and intensifying competition. There is also a possibility that the Group Companies will be forced to increase their capital investment and advertising expenditure. Such situations could have a serious impact on the business activities and financial performance of the Group Companies.

(3) Technological Changes in the Industry

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

2 Risks Relating to International Business Expansion

Global expansion is one of the Group Companies' key strategies, and we are dynamically extending our existing business model into other countries. For example, we are extending our Internet services to many regions including Europe, the Americas and Asia. The Group Companies will continue to expand their overseas service and R&D sites. We will also work to improve and expand our international services while strengthening collaboration among our services in different countries. The Group Companies will also gradually expand cross-border services that allow users in Japan or overseas to purchase products and services from each other.

However, development of global services entails a variety of potential risks, including differences in languages, geographical factors, legal and taxation systems, economic and political instability, communication environment, and differing commercial practices. There is a further risk that competition with rival companies that are competitive in specific countries or regions or are globally competitive will intensify and the risk of sudden changes in the regulations of foreign governments. The business activities and financial performance of the Group Companies could be affected if these risks are not handled properly.

In its international expansion, the Group Companies are likely to incur additional costs when setting up corporations and services in other countries, including recruitment costs, system development costs and costs for making strategic changes in business models. Group profits may temporarily come under pressure from these additional costs, and it will take time before new operations start to generate stable sales. The necessary time to recover this investment could have adverse effects on the financial performance and financial position of the Group Companies.

3 Risks Relating to Business Expansion and Development

(1) Promoting the Rakuten Brand

To further raise its gross transaction value, the Group Companies are converting their various service brands to the Rakuten brand, and integrating their member IDs by unifying membership databases and developing a common points program. Changes to brand names and member IDs could lead to loss of loyalty among existing members or cause them to withdraw from member organizations. If the above measures fail to produce the anticipated benefits, gross transaction value among Group Companies websites and the financial performance of the Group Companies could be affected.

(2) M&A

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

When acquiring a company, the Group Companies seek to avoid various risks as much as possible by conducting detailed due diligence concerning the financial position, contractual relationships and other aspects of the potential acquisition. However, it is not always possible to carry out due diligence exhaustively because of the circumstances surrounding individual acquisitions, such as time restrictions, and it is possible that contingent or unrecognized liabilities will come to light after an acquisition. Furthermore, it is impossible to predict reliably how the characteristics of a newly created service will affect the business operations and performance of the Group Companies. It may also become impossible to develop the new service as anticipated because of changes in the business environment or other factors. In such cases, the financial performance and financial condition of the Group Companies may be adversely affected, and it may not be possible to recover the invested capital.

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

Also, for engagements in joint ventures and business alliances, the Group Companies seek to avoid risk as much as possible concerning operating partner through detailed investigations of financial performance and financial condition and thorough discussion of future business agreements and synergistic effects. However, if disagreements arise over management policy after the start of the service, there is a possibility that the anticipated synergistic effects will not be realized. In such cases, the financial performance and financial condition of the Group Companies may be adversely affected, and it may not be possible to recover the invested capital.

(3) Expansion of Area of Service

The Group Companies provide services in a variety of industrial sectors, primarily in the Internet sector where technologies and business models change rapidly. The Group Companies have entered into new areas of services in order to create new services and to construct business models along with the trend of the times. When the Group Companies launch a new service in an area in which they have not previously been involved, it becomes exposed to risk factors specific to that activity, in addition to a considerable amount of prior investment. It is possible that the Group Companies will be affected by risk factors not listed in this section as a result.

The Group Companies may not be able to achieve the results initially expected, depending on expansion speed and growth scale of the market which they newly enter into. In addition, the Group Companies may incur a loss due to disposal and amortization of said business assets in cases such as discontinuation or withdrawal of such service. Such case may possibly affect the Group Companies' financial performance and financial position.

(4) Goodwill

The Group Companies have adopted the International Financial Reporting Standards (IFRS) to prepare the consolidated financial statements, starting in the three months ended March 31, 2013. IFRS does not require amortization of goodwill which differs from JGAAP. On the other hand, the financial performance and financial position of the Group Companies could be adversely affected by a possible impairment of goodwill, if the goodwill relating to a company is likely to be impaired due to such factors including deterioration of financial performance and the resulting recoverable amount is less than the carrying amount of goodwill.

4 Business Risks

(1) Marketplace Service

Marketplace services such as Rakuten Ichiba and Rakuten Auction, accommodation booking services such as Rakuten Travel, and online cash-back services such as Ebates basically provide venues for trading, and the Group Companies are not party to trading contracts. To ensure a sound market, the Group Companies strive to eliminate counterfeit goods or other goods that infringe on rights. The rules for these marketplaces stipulate that the Group Companies will incur no liability in the event of disputes between sellers or service providers and purchasers, and that disputes must be settled between the parties. However, if users of our marketplace services engage in activities that defame other parties or infringe their rights, including intellectual property rights and privacy rights, or if they engage in illegal activities, such as fraud, the resulting liabilities could affect not only the parties responsible for the actions that caused the problems, but also the Group Companies as venue provider. There could also be damage to the brand image of the Group Companies. Furthermore, sellers and service providers participating in our marketplace service can easily move to alternatives, such as other marketplaces or their own sites. It is possible that unless the Group Companies continue to provide a marketplace highly attractive to customers in addition to highly convenient and reliable services, the Group Companies’ financial performance will be affected by a decline in the number of sellers and service providers.

(2) Direct Selling Service

The Group Companies have service categories that involve direct selling of goods and services to general consumers, such as Rakuten Books and Rakuten Kobo. In these categories, the Group Companies are a party to sales contracts, etc., and is therefore liable for the quality and content of goods and services. When selling goods or providing services, the Group Companies take all possible steps to ensure compliance with relevant laws and regulations. However, if a defective product is sold or a defective service is provided, the Group Companies could become subject to actions by supervisory agencies. The Group Companies could also incur costs resulting from product recalls, liability for damages or other consequences. There could also be reputational damage leading to a decline in sales. The financial performance of the Group Companies could be affected in such situations. In addition, although the Group Companies control purchasing and inventory of products in accordance with the demand forecast, if the anticipated demand does not appear or if the product prices largely decline due to technological innovation or a competition with the competitor’s products, write-off of products accounted for as inventory may need to be recorded in the Group Companies’ financial accounts.

(3) Digital Contents Service

The e-book service and the video streaming service which provide digital contents often require a conversion of service format to those provided by the Group Companies when contents materials are being procured, in addition to licensing fees for film distribution agencies as well as the possible requirement of advance payment of minimum insurance amount for the licensors. Such prior expense may temporarily impact the financial performance and financial position of the Group Companies. Furthermore, if the revenue from the contents services falls below such costs of supply, the financial performance and financial condition of the Group Companies may be adversely affected.

(4) Logistic Service

The Group Companies focus on improvement of delivery and shipping quality through measures including an expansion of logistics agency service for clients in order to further enhance user and client satisfaction.

The Group Companies utilize renting to expand distribution centers and make capital investments for equipment inside warehouses based on orders anticipated in the future. However, in addition that such expenditure would possibly become a prior investment since it will take a certain period of time to build such facilities and start the operation, if the actual revenue from logistic agency service falls below the forecast, unable to make up for the prior investment, the financial performance and financial position of the Group Companies could be adversely affected. Furthermore, the Group Companies may incur a loss due to a disposal or amortization of said business assets in case of transfer or discontinuation of such facilities.

(5) Financial Businesses

1) Regulatory Requirements

Rakuten Card Co., Ltd., Rakuten Bank, Ltd., Rakuten Securities, Inc., Rakuten Life Insurance Co., Ltd. and other subsidiaries are involved in finance-related services. The activities of these companies are subject to the provisions of the Law Concerning the Regulation of Receiving of Capital Subscription, Deposits and Interest on Deposits (hereinafter referred to as the “Capital Subscription Law”), the Banking Law, the Interest Rate Restriction Law, the Money-Lending Control Law, the Installment Sales Law, the Financial Instruments and Exchange Act, the Commodities Futures Trading Law, the Trust Business Law, the Insurance Business Act and other laws and regulations and regulatory requirements relating to financing activities, as well as the guidelines of supervisory agencies, and the rules imposed by autonomous regulatory bodies, such as stock exchanges and industry organizations. If any of the above subsidiaries becomes subject to a suspension of business, license revocation or other actions for any reason, if new regulatory requirements, supervisory agency policies, regulations or supervisory guidelines are established, or if there are any changes that would adversely affect their services, the business operations and financial performance of the Group Companies could be seriously affected.

Under the Money-Lending Control Law, which came into full effect in June 2010, Rakuten Card Co., Ltd. is required to use information about consumers’ annual incomes and data from credit agencies to limit the total amount of credit provided to no more than one-third of the borrower’s annual income. It is necessary to restrict new lending and other conditions. In addition, lenders are obliged to tighten their credit management under the amended Installment Sales Law, which came into full effect in December 2010. All of these factors could affect earnings.

Furthermore, Rakuten Card Co., Ltd. has a small portion of loan contracts dating before December 31, 2007 that stipulate interest rates in excess of the maximum rates outlined in the Interest Rate Restriction Law. If there is an increase in the factors used to calculate Rakuten Card Co., Ltd.’s allowances, such as the average amount of claims, the financial performance of the business concerned could be affected by the need to make an additional provision.

2) Business Environment

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

Securities make up a portion of the investment assets used by Rakuten Bank, Ltd. and may have a certain amount of effect on its investment income. Those investment assets consist of various financial products, including finance receivables, bonds and securitization and liquidation products. Returns on investments in financial products are significantly affected by factors that include interest rates, foreign exchange rates, market fluctuations and debtor credit risk. If this business is affected by losses on these investments, it is possible that the financial performance of the Group Companies will be affected. Credit costs relating to loan receivables, including allowances for doubtful receivables or guarantee charges, could increase if economic conditions deteriorate or if there are changes to accounting standards, changes in the credit situation of guarantee companies, or changes in guarantee performance conditions. Such situations could affect the financial performance and financial condition of the Group Companies.

Rakuten Securities, Inc. implements various types of transactions for individual investors, including margin transactions, foreign exchange margin transactions, investment trust sales, bond transaction, futures and options transactions, foreign futures transactions, CFD transactions, and commodities futures transactions. Because its main source of revenue is brokerage commissions, the company is affected by conditions in financial markets including securities markets. As the financial markets are affected by economic conditions, global trends in financial markets, political developments, regulatory changes, investor sentiment and other factors, the financial performance and financial condition of the Group Companies may be affected under certain circumstances, such as if financial markets stagnate, or if there is a decline in margin balances and money lent to clients for margin transactions cannot be recovered because of sudden stock price fluctuations, interest rate increases or other factors.

Rakuten Life Insurance Co., Ltd. sells traditional protection-type life insurance products for individuals. Its main source of revenue is insurance revenue paid by the insured. The financial performance and financial condition of the Group may be affected under certain circumstances, such as if the rate of insured events increases (for example, the death rate or the hospitalization rate exceeding the forecast at the conclusion of insurance contracts), revenue from investment decreases due to a change in investment environments etc., the number of in-force contract drastically decreases due to a decrease in the number of new contracts and an increase in cancellation, and the policy reserve for future payment of insurance claims and benefits required by the law becomes underfunding due to a change in the assumed condition, increasing the reserve.

3) Liquidity

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

4) Efficacy of Risk Management

In recent years, the financial markets faced rapid and large-scale changes and chaos during such events as “Lehman Shock” stemmed from a bankruptcy of the major U.S. financial institution and European financial crisis arising from financial problems in countries including Greece. Rakuten Bank, Ltd., Rakuten Securities, Inc. and Rakuten Life Insurance Co., Ltd. have organized risk management policies and procedures to put into operation. However, the financial performance and financial condition of these companies may be adversely affected as a result of the possibility that a part of such risk management policies and procedures of these companies are not necessarily able to precisely predict various future risks in the financial markets and are not able to function effectively.

(6) Third-Party Outsourcing and Alliances

1) Outsourcing and Alliances with Financial Institutions

Rakuten Bank, Ltd. does not have its own ATM network. For this reason, it has concluded ATM utilization agreements with Seven Bank, Ltd., Japan Post Bank Co., Ltd. and Aeon Bank, Ltd. The business operations and performance of the Group Companies would be seriously affected if its relationships with these banks deteriorate, or if it becomes unable to use these services and systems.

2) Alliances with Travel-Related Businesses

In the Travel services, our policy is to improve the overall quality of our travel-related services and develop the services through cooperation with domestic and overseas travel-related businesses, airlines and railroad companies, and by promoting globalization. Business operations and financial performance in this segment could be affected if relationships with these partners deteriorate, or if negotiations with prospective new partners are unsuccessful.

3) Interconnection Agreements with Telecommunications Providers

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

4) Supply of Goods and Services, Content and Technology

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

5) Delivery of Goods

Marketplace-model services such as Rakuten Ichiba and direct selling model services such as Rakuten Books rely primarily on outside shipping and delivery providers to deliver goods from seller to purchaser. The financial performance of the Group Companies may be affected if user and store satisfaction regarding delivery deteriorates due to an increase in delivery charges, worsening of delivery conditions or other factors in the future.

5 Compliance Risk

(1) Possibility of Imposition of Regulatory Restrictions

In addition to the items listed under "Section 4 (5) 1) Regulatory Requirements," the Group Companies are subject to the provisions of various other laws and regulations, including the Act against Unjustifiable Premiums and Misleading Representations (Premiums and Representations Act), the Act Concerning the Prohibition of Unauthorized Computer Access; the Act on the Limitation of Liability for Damages of Specified Telecommunications Service Providers and the Right to Demand Disclosure of Identification Information of the Senders; the Act on Specified Commercial Transactions; the Act on Regulation of Transmission of Specified Electronic Mail; the Consumer Contract Act; the Act against Delay in Payment of Proceeds and others to Subcontractors; the Secondhand Articles Dealer Act; the Travel Agency Act; the Telecommunications Business Act; the Employment Security Act; and the Act Concerning the Creation of Conditions, for the Safe and Secure Use of the Internet by Young People; the Act Concerning Financial Settlements, as well as policies and guidelines established by regulatory agencies. If the Group Companies' business activities become subject to new restrictions due to the establishment and amendment of laws and regulations, the cancellation of approvals and permits by regulatory agencies, or the formulation of new guidelines and voluntary rules, or for other reasons, there could be an impact on the Group Companies' financial performance and financial position.

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

(2) Possibility of Litigation

The Group Companies could be exposed to litigation or other claims if merchants, purchasers, participants or other users engage in illegal activities or get involved in disputes, if users violate the rights of third parties through illegal actions or the distribution of harmful information, or if losses are incurred by merchants, purchasers, participants or other users as a result of system failures or other situations. As for e-book readers, although its manufacturing are commissioned to partner companies, there is a possibility that product defects or other deficiencies may arise, which may cause the Group Companies to incur product liability or other obligations concerning compensation for damages or other penalties. Furthermore, the Internet itself is still a relatively new phenomenon, and there is the possibility of unforeseeable litigation or other actions resulting from new contingencies or business risks that have not yet become apparent.

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

6 Risks Pertaining to Intangible Assets

(1) Group Branding

Since its establishment, the Group Companies have worked to invest substantial management resources in developing a diversity of services and advertising with the aim of building the Rakuten brand. While the Group Companies believe that they have achieved a certain level of brand recognition among consumers, if future initiatives fail to produce the anticipated benefits, it is possible that these efforts will not result in revenues for the Group Companies. If there are problems relating to development of services, confidence in the Rakuten brand could be eroded, with possible implications for the Group Companies' financial performance and financial position.

(2) Intellectual Property

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

7 Market Risks

(1) Interest Rate Fluctuations

Through its consolidated subsidiaries, the Group Companies are involved in financial services including, credit card, securities and life insurance businesses. Funds for these activities are procured mainly through loans from financial institutions and bond issues. As of December 31, 2014, the balance of consolidated interest-bearing debt from financial institutions outside of the Group Companies amounted to ¥595,928 million. This amount consists of short-term and long-term loans, corporate bonds, commercial paper, loans payable for margin transactions for the securities business, and lease obligations. The consolidated subsidiary involved in the banking business also procure deposits and use the funds raised for investment in securities, lending and other purposes. For this reason, the financial performance and financial position of the Group Companies could be affected by movements in market interest rates.

(2) Fluctuations in the Prices of Securities, etc.

The Group Companies hold substantial amounts of financial products, including securities and money trusts. Fluctuations in the market prices of these securities and other financial products could affect the financial performance and financial position of the Group Companies.

(3) Exchange Rate Risk

Items in foreign currencies among the foreign-currency denominated investment and the transactions in foreign currencies are executed by the Group Companies for the purpose of hedging exchange rate risk. Although the Group Companies translate items denominated in local currencies into Japanese yen for the business performance, assets and liabilities pertaining to overseas associates when preparing its consolidated financial statements, it is difficult to completely avoid such risks. For this reason, the financial performance and financial position of the Group Companies could be affected by movements in foreign exchange rates.

8 Risks Relating to Financing

Loan contracts and commitment lines that the Group Companies have concluded are in some cases subject to covenants clauses, and any deterioration in the financial performance, financial position or credit rating of the Group Companies could result in demands for full repayment of existing debt or the provision of new collaterals under these clauses, or increases in interest rates or commission rates. There is no guarantee that the Group Companies will be able to procure funds on favorable terms in a timely manner under certain circumstances, such as if financial markets become unstable or if the Group Companies’ credit status deteriorates and the credit rating given to the Group Companies by credit rating agencies is lowered. Such situations could have a limiting effect on the development of the Group Companies’ services, and could affect the financial performance and financial position of the Group Companies.

9 Risks Relating to Deferred Tax Assets

The Company and some of its consolidated subsidiaries currently recognize future tax benefits as deferred tax assets, in accordance with International Financial Reporting Standards (IFRS). The computation of deferred tax assets is based on various projections and assumptions, including estimates of future taxable income based on business forecasts. It is possible that actual results will differ from these projections and assumptions. If estimates of future taxable income indicate that the Company or its subsidiaries will be unable to recover part or all of their deferred tax assets, the financial position and financial performance of the Group Companies would be affected by the consequent reduction in the value of said deferred tax assets.

10 Risks Pertaining to Financial Reporting

According to Internal control reporting requirements under the Financial Instruments and Exchange Act, the Group Companies strengthened their internal control systems in relation to financial reporting. However, the public reputation of the Group Companies could be damaged if serious errors are discovered, and the financial performance and financial position of the Group Companies could be affected.

11 Human Resources Risk

The services of the Group Companies require human resources with specialized skills relating to individual service segments including Internet and finance. As the Group Companies expand their activities and develop their business internationally, it is indispensable to continue the recruitment of personnel. The business activities, financial performance and financial position of the Group Companies could be affected if it becomes difficult to secure skilled staff in the future due to reasons such as escalating competition for human resources in specific fields or regions, changes in market needs, or if there is an exodus of existing staff.

In addition, the business activities, the financial performance and financial position of the Group Companies could be seriously affected if Hiroshi Mikitani the founder and the Chairman and President and Representative Director of the Company, were to resign or become incapable of performing his duties.

12 Information Security Risks and Risks Pertaining to Telecommunication Networks and Systems

The Group Companies acquire personal information that can be used to identify users, including names, addresses, telephone numbers and credit card numbers in various services they provide. The Group Companies take all possible care to protect privacy and personal information of users through proper information management. However, the possibility of information leaks or abuse or other accidents due to activities including illegal access cannot be ruled out, and it is possible that such incidents will result in legal disputes or actions by domestic and overseas regulatory agencies. Such situations could impact on the business activities and financial performance of the Group Companies.

Many of the Group Companies' services are provided by the use of telecommunications networks linking computer systems. However, there lies the possibility that troubles might occur in the provision of normal services, or that illegal usage, deletion or fraudulent procurement of important data and others might occur due to reasons such as failure occurring in the telecommunication network, failure or defects affecting the hardware or software in the network or the computer system, criminal activities such as external access to computer resources using illegal methods such as computer viruses or malware, and errors by employees and executives.

If the service is suspended or the performance is deteriorated as a result of these, the possibility of loss of income opportunities, a decline in confidence in the Group Companies' systems, compensation claims, or actions by regulatory agencies could be expected.

In addition, regarding the illegal use of the Company's services, if indemnification cannot be sought to any specific entity, the Group Companies will incur the loss. Such situations could impact on the business activities and financial performance of the Group Companies.

13 Risks Pertaining to Natural Disasters, Conflicts and Accidents

Natural disasters such as earthquakes, typhoons, tsunamis, fires, power outages, infections caused by previously unknown diseases, international conflict and other contingencies could have a serious impact on the service operations of the Group Companies

Since the main business premises of the Group Companies are located in the greater Tokyo area and the East Coast and West Coast of the U.S., a massive natural disaster or other events in these areas could disrupt services. In addition to degrading the Company's reliability and damaging its brand image, such situations could also impact on the financial performance and financial position of the Group Companies.

The Group Companies have worked to enhance preparation and arrangement for emergency response measures, including the formulation of business continuity plans. However, there is no guarantee that these measures will be sufficient to mitigate all of the effects of various natural disasters or other events, and the continuity of service operations may be difficult or jeopardized if there are serious losses to physical and human resources.

14 Administration Risk

The Group Companies, in their conduct of business, implements numerous measures to increase the accuracy and efficiency of work operations including implementation of double-checking systems that enforce redundant checks of operation details by utilization of information systems and by employees other than those parties responsible for the operation. However, there are certain operations for which specialized information systems have not been introduced and which are entrusted to manual handling, and errors in administrative procedure may occur due to misrecognition by company officers and employees, incorrectly performed operations and other factors. Depending on the nature of the work operation, it is possible that errors in administrative procedures will hinder reliable provision of service or lead to business losses or to the outflow of information such as personal information and may affect Group operations and business and financial performance.

The Group Companies endeavor to standardize and document internal regulations and administrative procedures. However, it is possible that as a result of the organizational changes and addition of employees in conjunction with the Group Companies' rapid expansion of services that sharing and transfer of required expertise for business execution would be inadequate. As a result, there may be increased errors in administrative procedures and lower productivity, which could affect Group business operation and financial performance.

15 Reputation Risk

There is the possibility that various kinds of publicity and information about the Group Companies may be spread. Although such publicity and information include those not based on correct information and others based on speculation, they could possibly affect the understanding and perception of users of the Company's services and its investors, regardless of whether or not such publicity and information are accurate or whether or not they are concerning the Group Companies. Depending on the contents, the scale and other details of such publicity and information, the Group Companies' business activities and stock price among others may be affected.

5. Material Business Agreements, etc.

At an Extraordinary Board of Directors Meeting on September 9, 2014, the Company resolved to execute a share purchase agreement to acquire all the shares of Ebates Inc. (head office: California, U.S.), which operates a membership-based online cash-back site, for the purpose of making Ebates Inc. a subsidiary. Ebates Inc. was made a subsidiary as of October 9.

In addition, for the purpose of the acquisition of Ebates Inc., on October 8, 2014, the Company concluded a monetary loan agreement with Mizuho Bank, Ltd. and Sumitomo Mitsui Banking Corporation in the amount of ¥75 billion with a maturity date of October 31, 2022.

Details are described in “V. Financial Information, 1. Consolidated Financial Statements, Notes to the Consolidated Financial Statements, 44. Business Combinations.”

Furthermore, at a Board of Directors Meeting on March 11, 2015, the Company resolved to execute a new share purchase agreement to acquire all shares of Lyft, Inc., through its subsidiary.

Additionally, at an Ordinary Board of Directors Meeting on March 19, 2015, the Company resolved to execute a share purchase agreement to acquire all issued shares of OverDrive Holdings, Inc., an operator of a leading e-book and audio content marketplace, to make it a subsidiary. The acquisition amount of the relevant shares was approximately 410 million U.S. dollars.

Details are described in “V. Financial Information, 1. Consolidated Financial Statements, Notes to the Consolidated Financial Statements, 47. Subsequent Events.”

6. Research and Development Activities

Our research and development activities are carried out independently within each of the business segments with the purpose of contributing to the development operations of the Company and the Group Companies. In June 2010, a research base was established in New York, the United States, and in February 2014 in Paris, France, adding to our Facilities in Japan, to expand our research system. We explore research themes focused on three areas, namely language processing/data analysis, multimedia user/interface and large-scale distribution, based on our corporate vision on the future direction of Internet development, with the details given below. Since the Group Companies’ research and development activities cover Internet-related basic technologies, which cannot be classified into specific segments, the activities are not listed by segment. The total expense of research and development in the current fiscal year was ¥2,392 million.

1) Language Processing/Data analysis

In the area of language processing/data analysis, we develop advanced technologies to analyze the abundant amount of text data that the Group Companies possess, as well as technologies to speed up the computation of massive data. The aim is to create diverse recommendations that can be horizontally expanded to each business.

2) Multimedia/User Interface

We have developed a user interface that features a rich content experience, by retrieving and analyzing multi-media content of videos, still images and music that continuously proliferate on the Web, to fully enhance the user-interface level of the Company and the Group Companies.

3) Large-scale Distribution

As the systems of the Company and the Group Companies expand, we create competitive advantages by developing infrastructure for processing such as parallel distributed processing to analyze with remarkable efficiency logs and customer/product data that continuously proliferate.

7. Analyses of Consolidated Business Results, Financial Position and Cash Flows

(1) Description of Business

We are a comprehensive Internet service provider engaging in two main activities of Internet Services and Internet Finance. In the domestic e-commerce business, the core of Internet Services, we are the leading company holding the top share (*1) in transaction value.

(*1: Mail Order and e-Commerce Business: Current Status and Future, FUJI KEIZAI)

(2) Analysis of Business Results

(Revenue)

The Group Companies, for the fiscal year ended December 31, 2014, achieved revenue of ¥598,565 million, an increase of ¥79,997 million (15.4%) from ¥518,568 million for the previous fiscal year. The factors for these were sales expansions due to robust domestic e-commerce gross merchandise sales (transaction value) mainly for Rakuten Ichiba services in the Internet Services segment and contribution of the newly consolidated subsidiaries. An increase in commission income accompanying an increase in Rakuten Card membership in the Internet Finance segment and solid growth in credit card loan balances also contributed to sales increase.

(Operating expenses)

Operating expenses for the fiscal year ended December 31, 2014 amounted to ¥491,279 million, an increase of ¥70,905 million (16.9%) from ¥420,374 million for the previous fiscal year. This was due to increases in employee benefits expenses, advertising expenses, promotion expenses and other expenses in conjunction with business expansions.

(Other income)

Other income for the fiscal year ended December 31, 2014 amounted to ¥6,724 million, an increase of ¥4,893 million (267.2%) from ¥1,831 million for the previous fiscal year. This was due to the posting of foreign exchange gain arising from loans to overseas subsidiaries.

(Other expenses)

Other expenses for the fiscal year ended December 31, 2014 amounted to ¥7,613 million, a decrease of ¥2,168 million (22.2%) from ¥9,781 million for the previous fiscal year. This was due to a drop in impairment loss that was posted in the previous fiscal year in the Internet Service segment.

(Operating income)

Operating Income for the fiscal year ended December 31, 2014 amounted to ¥106,397 million, an increase of ¥16,153 million (17.9%) from ¥90,244 million for the previous fiscal year. This was due to steady growth of profit from existing businesses while advance investments were continued to be made in future growth fields, in addition to improvements in profitability of business which advance investments were made and is expected to grow in the future in the Internet Service segment and robust performance in profits in conjunction with an increase in Rakuten Card membership in the Internet Finance segment.

(Income before income tax)

Income before income tax for the fiscal year ended December 31, 2014 amounted to ¥104,245 million, an increase of ¥15,635 million (17.6%) from ¥88,610 million for the previous fiscal year. This was due to an increase in financial expenses accompanying increased borrowings as well as factors explained in operating income increase.

(Income tax expense)
Income tax expense for the fiscal year ended December 31, 2014 amounted to ¥33,142 million, a decrease of ¥11,987 million (26.6%) from ¥45,129 million for the previous fiscal year. The effective tax rate for the fiscal year ended December 31, 2014 was 31.8%, which fell below the statutory income tax rate in Japan, because deferred tax liabilities were extinguished at the timing of merger and deferred tax assets of overseas subsidiaries were recognized.

(Net income)
As a result of the above, net income for the fiscal year ended December 31, 2014 amounted to ¥71,103 million, an increase of ¥27,622 million (63.5%) from ¥43,481 million for the previous fiscal year.

(Net income attributable to owners of the Company)
As a result of the above, net income attributable to owners of the Company for the fiscal year ended December 31, 2014 amounted to ¥70,614 million, an increase of ¥27,714 million (64.6%) from ¥42,900 million for the previous fiscal year.

(3) Analysis of Financial Position
(Assets)
Total assets at the end of the fiscal year ended December 31, 2014 amounted to ¥3,680,695 million, an increase of ¥470,887 million from ¥3,209,808 million at the end of the previous fiscal year. The primary factors was a ¥108,099 million decline in financial assets for securities business, which was offset by an increase of ¥254,798 million in intangible assets associated with factors such as the acquisition of Viber and Ebates, an increase of ¥148,572 million in loans for credit card business, an increase of ¥82,059 in loans for banking business, and an increase of ¥44,627 million in cash and cash equivalents.

(Liabilities)
Total liabilities at the end of the fiscal year ended December 31, 2014 were ¥3,252,609 million, an increase of ¥349,255 million from ¥2,903,354 million at the end of the previous fiscal year. The primary factor was a decrease of ¥82,830 million in financial liabilities for securities business, which was offset by a ¥200,244 million increase in bonds and borrowings, and a ¥177,235 million increase in deposits for banking business.

(Equity)
Equity at the end of the fiscal year ended December 31, 2014 was ¥428,086 million, an increase of ¥121,632 million compared with the ¥306,454 million at the end of the previous fiscal year. The primary factors were a ¥63,570 million increase in retained earnings resulting from factors including ¥70,614 million in net income attributable to owners of the Company for the current fiscal year, and a ¥53,884 million increase in other components of equity resulting from fluctuations in the foreign exchange market.

(4) Status of Cash Flows

Cash and cash equivalents at the end of the fiscal year ended December 31, 2014 was ¥428,635 million, an increase of ¥44,627 million from the end of the previous fiscal year. Among these, deposit with the Bank of Japan for banking business was ¥246,411 million, an increase of ¥16,112 million from the end of the previous fiscal year. Cash flow conditions and their major factors for the fiscal year ended December 31, 2014 are as follows:

(Net cash flows from operating activities)

Net cash flows from operating activities for the fiscal year ended December 31, 2014 resulted in a cash inflow of ¥111,860 million (compared with a cash inflow of ¥1,485 million for the previous fiscal year). Primary factors included a cash outflow of ¥148,572 million for an increase in loans for credit card business, a cash inflow of ¥177,383 million for an increase in deposits for banking business, and a cash inflow of ¥104,245 million for income before income tax.

(Net cash flows from investing activities)

Net cash flows from investing activities for the fiscal year ended December 31, 2014 resulted in a cash outflow of ¥261,085 million (compared with a cash inflow of ¥30,584 million for the previous fiscal year). Primary factors included a cash outflow of ¥174,469 million for acquisition of subsidiaries, and a net cash outflow of ¥23,697 million for purchase and sales of investment securities for banking business (a cash outflow of ¥365,787 million for the purchase of investment securities and a cash inflow of ¥342,090 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, 2014 resulted in a cash inflow of ¥189,512 million (compared with a cash inflow of ¥75,252 million for the previous fiscal year). Primary factors included a net cash inflow of ¥169,043 million for proceeds and repayment of long-term debt (a cash inflow of ¥251,860 million for proceeds from long-term debt and cash outflow of ¥82,817 million for repayment of long-term debt), and a cash inflow of ¥29,828 million for proceeds from issuance of bonds.

(5) Recognition and Presentation of Revenues

We are comprehensive Internet service providers engaged in two main activities of Internet Services and Internet Finance and operate in multiple businesses including the core EC business.

The basic attribute of marketplace-model e-commerce services such as Rakuten Ichiba and accommodation booking services such as Rakuten Travel is to provide venues for trading, and for the management of these services, the Group Companies provide sellers and service providers, such as stores, with services including services related to the launch of e-commerce website and system utilization, credit card settlement services related to settlements between sellers or service providers and customers, advertising related services to expand sales to customers through the Group Companies, and affiliate service to increase trade volumes. These services are categorized based on its contents as follows and revenues are recognized in accordance with the pattern in which each service is provided.

With regard to services for setting up e-commerce websites, the Group Companies provides services to open shops on our marketplace-model e-commerce websites to sellers for a contracted term based on an agreement. Because these services are provided over the term of the contract, progress of service provision is measured based on the passage of time, and revenue based on the amount stipulated in the agreement for each type of shop is recognized as gross revenue.

With regard to services related to use of systems, the Group Companies provide various systems related to the operation of services to sellers and service providers based on an agreement. By providing various systems related to the operation of services, we provide services related to the conclusion of individual transactions between sellers or service providers and consumers. Because provision of these services is completed when the individual transaction between the seller or service provider and the consumer is concluded, the gross merchandise sales (monthly net sales of sellers and service providers) of concluded transactions at that point are multiplied by the rate stipulated separately for each service, plan, or scale of gross merchandise sales, and the amount is recognized as net revenue.

With regard to advertising-related services, the Group Companies provide fixed-term model advertising-related services and pay-for-performance model advertising-related services (advertising-related services achieved through specified advertising results such as sales) to ad owners such as sellers and service providers based on an advertising agreement. Both services are similar in that they are advertisements intended to increase sales, but it has been deemed appropriate to treat them differently as the method of transfer to customers of the service differs. For fixed-term model advertising-related services, because the services are provided by displaying the advertisement over the contracted term, the progress of service provision is measured based on the passage of time, and gross revenue is recognized according to the amount stipulated in the agreement for each type of advertisement. As for pay-for-performance model advertising-related services, provision of individual services to the ad owner such as seller or service provider is completed when the objective set as the result is achieved. Therefore, at that point the amount stipulated in the agreement is recognized as gross revenue.

With regard to card settlement services, based on a card settlement agreement, Rakuten, Inc. provides card settlement services between consumers and sellers or service providers who use the services provided by Group Companies. These services provide individual services such as settlement, cancellation, and other data processing. The economic value of card settlement for the seller or service provider is the ability to promptly convert accounts receivable into cash. In light of this economic situation, provision of service is considered to be complete when the shopping payment has been transferred to the seller or service provider through the consumer’s use of a card. Therefore, net revenue is recognized at that point based on the amount stipulated in the agreement. As for the monthly fixed-rate segment of card settlement services, because it is a payment for card settlement services provided over the term of the contract, the progress of service provision is measured based on the passage of time, and net revenue is recognized according to the amount stipulated in the agreement.

With regard to R-mail service, Rakuten, Inc. provides system that enables sending email to consumers who use services provided by the Group Companies to sellers and service providers throughout the contract term. Because these services are provided over the term of the contract, the progress of service provision is measured based on the passage of time, and gross revenue is recognized according to the amount stipulated in the agreement. As for volume usage service based on the number of emails, provision of service is complete when each email has been sent, and at that point gross revenue is recognized according to the amount stipulated in the agreement.

With regard to affiliate services, Rakuten, Inc. provides Rakuten Ichiba shops a system to increase merchandise sales volume using methods such as banner links between affiliates and Rakuten Ichiba shops, based on an affiliate agreement. In these affiliate services provided by Rakuten, Inc., provision of affiliate services is complete when the results are achieved by the affiliate. Therefore, at that time, gross revenue is recognized according to the amount stipulated in the agreement. Rakuten, Inc. also provides advanced affiliate services that offer affiliate programs customized for each shop. Because these services are provided over the monthly or other contract term, the progress of service provision is measured based on the passage of time, and gross revenue is recognized according to the amount stipulated in the agreement. Within affiliate services, with regard to the performance compensation itself that is paid to affiliates, the occurrence of the compensation amount and the payment to the affiliate are the same amount, and are recognized as net revenue.

Among Internet Services, with regard to services which the Group Companies provide goods and services for general consumers, such as Rakuten Books and Rakuten Kobo, the Group Companies are a party to sales contracts. In these direct selling services, revenue is recognized based on attainment criteria by which goods and services are considered to have been provided to the consumer, and is recognized as gross revenue.

With regard to Internet Finance, we engage in financial services businesses such as credit cards, Internet banking, and online securities, and recognize the primary revenue as follows.

Rakuten Bank, Ltd. provides a wide range of services including banking operations (deposits, foreign exchange, and loans), as well as financial instruments brokerage services for Rakuten Securities, over-the-counter foreign exchange margin transactions (FX transactions) as services of a registered financial institution, sales of “toto” and lottery tickets (Numbers), and debit card business. Revenue such as commissions arising from these transactions and interest on securities arising from management of deposits is recognized in interest income, fees and commissions, other ordinary income, and other income. With regard to loans, Rakuten Bank handles loans such as loans for individuals known as “Rakuten Super Loans” and home loans known as “Rakuten bank home loan (flexible interest rate)” and earns interest income from a set interest rate applied to the balance of loans.

Rakuten Securities, Inc. engages in financial instruments transaction services and other associated services. Its sources of revenue include the commissions arising in association with these transactions, net trading income, and interest, and it primarily records commissions received, net trading income, financial revenue, and other operating revenue. There are a range of financial instruments transactions, including domestic stock transactions, foreign stock transactions, and sales of investment trust, but the commission structure for each transaction differs. Rakuten Securities records net trading income on foreign exchange margin transactions, commissions received on domestic margin transactions, as well as interest revenue on open contracts.

Rakuten Card Co., Ltd. engages in the credit card business, as well as the credit guarantee business and money lending business. It primarily records revenue from credit card business, financing revenue, revenue from credit guarantee, lease sales profit, other revenue, and financial revenue. Revenue from credit card business includes membership fees received from member shops, along with revolving payment commissions and installment commissions received from credit card users. Commissions, which apply fixed rates respectively to the credit card settlement amount, revolving balance, and the number of payment installments, are recognized as revenue. Financing revenue includes cash advance commissions, and interest income that applies a set rate to the cash advance balance is received from credit card users.

(6) Recoverability of Deferred Tax Assets

In terms of deferred tax assets, the Group Companies recognize all deductible temporary differences as well as all carryforward of unused tax loss and tax credit, to the extent that there will likely be sufficient taxable income in the future to which they will be applied. The Group Companies believe that its estimates in the assessment of the recoverability of deferred tax assets are reasonable and that a recoverable amount of deferred tax assets has been recognized. However, as these estimates contain uncertainties beyond the Group Companies' control, if unforeseeable changes occur in the assumptions, which precipitate changes to the estimates relating to the assessment of recoverability, the Group Companies may reduce the deferred tax assets in the future.

(7) Financial Assets Measured at Fair Value

As financial assets for the Group Companies' securities business are mainly settled on short-term, their fair values approximate their carrying amounts.

The fair value of loans for the Group Companies' credit card business and loans for the Group Companies' banking business is measured at present value calculated by discounting each portion of future cash flows classified by period, for the corresponding remaining maturity using the applicable interest rate considering credit risk.

Additionally, in terms of the Group Companies' investment securities, investment securities for banking business and investment securities for insurance business, the fair value of listed shares is measured at the consolidated fiscal year-end closing market price, while the fair value of unlisted shares is measured by using an appropriate valuation technique, such as a method of comparison with similar sectors. The fair value of bonds is measured by reasonable valuation methods based on available information, including reference trading statistics and brokers' quotes.

As other financial assets and financial liabilities are mainly settled on short-term, their fair values approximate their carrying amounts.

III. Equipment and Facilities

1. Status of Capital Expenditures, etc.

   Capital expenditure in the current fiscal year was ¥38,217 million, mainly in the area of development and acquisition of software.

2. Situation of Major Equipment

(1) Company Submitting Financial Reports

As of December 31, 2014

Business Place (Location)	Name of segments	Details of major facilities	Book value (Millions of Yen): Buildings and accompanying facilities	Book value (Millions of Yen): Furniture, Fixtures and equipment	Book value (Millions of Yen): Software	Book value (Millions of Yen): Total	Number of employees
Head Office (Shinagawa-ku, Tokyo)	Internet Services	Facilities involved with all operations	418	201	18,111	18,730	2,474

(Notes) 1 Consumption tax is not included in the above amounts.

2 Number of employees represents the number of persons engaged.

(2) Domestic Subsidiaries

As of December 31, 2014

Name of companies	Location	Name of segments	Details of major facilities	Book value (Millions of Yen): Buildings and accompany-ing facilities	Book value (Millions of Yen): Furniture, Fixtures and equipment	Book value (Millions of Yen): Software	Book value (Millions of Yen): Total	Number of employees
Rakuten Securities, Inc.	(Shinagawa-ku, Tokyo)	Internet Finance	Facilities involved with all operations	235	1,125	10,033	11,393	256

(Notes) 1 Consumption tax is not included in the above amounts.

2 Number of employees represents the number of persons engaged.

3. Plans for Introduction, Disposals, etc. of Facilities

(1) Introduction, etc. of Major Facilities

As of December 31, 2014

Name of companies	Location	Name of segments	Details of major facilities	Planned investment amount: Total (Millions of Yen)	Planned investment amount: Paid (Millions of Yen)	Method of procuring funds	Start date	Planned completion date
Rakuten Card Co., Ltd.	(Shinagawa-ku, Tokyo)	Internet Finance	Update of main system	13,700	2,702	Private fund	August 2014	March 2016

(2) Major Facility Disposal, etc.

Not applicable.

IV. Information on the Company Submitting Financial Reports

1. Information on the Company's Shares

(1) Total Number of Shares, etc.

1) Total Number of Shares

Class	Total number of shares authorized to be issued
Common stock	3,941,800,000
Total	3,941,800,000

2) Total Number of Shares Issued

Class	As of the end of the current fiscal year (December31,2014)	As of the submission date (March 27, 2015)	Stock exchange on which the Company is listed	Description
Common stock	1,328,603,400	1,329,649,100	Tokyo Stock Exchange (First Section)	One unit of stock constitutes 100 common stocks.
Total	1,328,603,400	1,329,649,100	—	—

(Note) Number of shares issued as of the submission date of this Annual Securities Report does not include the number of shares issued in association with exercise of subscription warrants and exercise of Subscription Rights to Shares between March 1, 2015 and such submission date.

(2) Status of the Subscription Rights to Shares

1) Subscription Rights to Shares

Extraordinary Resolution at General Shareholders' Meeting (March 30, 2005)

	As of the end of fiscal year (December 31, 2014)		As of the end of month preceding the submission date (February 28, 2015)	
Number of Subscription Rights to Shares	32,144	2,000	24,534	2,000
Of the Subscription Rights to Shares, the number of own Subscription Rights to Shares	21,045	—	21,045	—
Class of shares to be issued upon exercise of Subscription Rights to Shares	Common stock		Same as on the left	
Number of shares to be issued upon exercise of Subscription Rights to Shares	3,214,400 (Note 1)	200,000 (Note 1)	2,453,400 (Note 1)	200,000 (Note 1)
Cash payment upon exercise of Subscription Rights to Shares	¥913 per share (Note 1)	¥1,039 per share (Note 1)	¥913 per share (Note 1)	¥1,039 per share (Note 1)
Exercise period of Subscription Rights to Shares	From March 31, 2009 to March 29, 2015		Same as on the left	
Issue price for shares issued through exercise of Subscription Rights to Shares and the amount to be included in capital	Issue price: ¥913 Amount to be included in capital: ¥457 (Note 1)	Issue price: ¥1,039 Amount to be included in capital: ¥520 (Note 1)	Issue price: ¥913 Amount to be included in capital: ¥457 (Note 1)	Issue price: ¥1,039 Amount to be included in capital: ¥520 (Note 1)
Conditions for exercise of Subscription Rights to Shares	Those who received the allotment of the issue of Subscription Rights to Shares shall remain Directors, Company Auditors or employees of the Company, or its subsidiaries or associates at the time of exercising such rights, provided however that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances. Other conditions for the exercise shall be subject to the provisions of the agreement on the allotment of Subscription Rights to Shares to be concluded between the Company and the holders of Subscription Rights to Shares, based on resolution at the Board of Directors on the issuance of Subscription Rights to Shares.		Same as on the left	
Matters concerning transfer of Subscription Rights to Shares	Subscription Rights to Shares shall not be inherited, offered for pledge or disposed of in any other way.		Same as on the left	
Matters concerning collateral payment	—		—	
Matters concerning issuance of Subscription Rights to Shares accompanying organizational restructuring	(Note 3)		(Note 3)	

(Notes) 1 If the Company splits its common stock or consolidates its common stock after the date of issuance of Subscription Rights to Shares, exercise price shall be adjusted according to the following formula. Any fraction less than ¥1 as a result of such adjustment shall be rounded up.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{1}{\text{Ratio of split or consolidation}}$$

Furthermore, in the event of issuance of common stock or disposal of treasury stock at price below market value after the date of issuance of Subscription Rights to Shares (except those associated with the exercise of Subscription Rights to Shares, or those associated with the exercise of Subscription Rights to Shares in accordance with provisions of Article 280-19 of the Commercial Code prior to its amendment on April 1, 2002, or those associated with the exercise of subscription warrants on bond in accordance with the provisions of Article 341-8 of the said Code), exercise price shall be adjusted according to the following formula. Any fraction less than ¥1 as a result of such adjustment shall be rounded up. In other cases of issuance of Subscription Rights to Shares (insofar as price of the shares issued in association with the exercise of such subscription rights is below the market value at the time of issuance of the Subscription Rights to Shares), exercise price shall be adjusted likewise.

Number of shares issued in the following formula shall refer to the total number of shares issued in the Company less the number of treasury stocks held by the Company.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{\text{Number of shares issued} + \dfrac{\text{Number of shares newly issued} \times \text{Cash payment per share}}{\text{Share price prior to new issuance}}}{\text{Number of shares issued} + \text{number of shares newly issued}}$$

2 Scheduled number of shares including those yet to be cancelled.

3 In the event of share exchange or share transfer in which the Company becomes a wholly owned subsidiary, obligations based on the Subscription Rights to Shares shall be succeeded by the company which becomes the Company's wholly-owning parent as a result of such share exchange or share transfer (hereinafter referred to as "Succeeding Company"). Policy for determining the contents of Subscription Rights to Shares to be succeeded shall be as follows.

1) Class of Shares to be Issued
Shares in the Succeeding Company of the same class as the common stocks in the Company.

2) Number of Shares to be Issued
This shall be calculated by multiplying the number of shares to be issued upon the exercise of Subscription Rights to Shares by the number of shares in the Succeeding Company allotted to one share in the Company at the time of share exchange or share transfer (hereinafter referred to as "Share Allotment Ratio"). Any fraction less than one share shall be rounded up.

3) Exercise Price
This shall be the amount calculated by dividing the cash payment at the time of exercise of the Subscription Rights to Shares by the Share Allotment Ratio. Any fraction less than ¥1 shall be rounded up.

4) Exercise Period
This shall be the exercise period of these Subscription Rights to Shares. In the event that such exercise period has already started at the time of the succession, it shall start on the effective date of the share exchange or share transfer, and shall end on the expiry date of such exercise period.

5) Conditions for Exercise
This shall be determined in accordance with the conditions for the exercise of these Subscription Rights to Shares.

6) Reasons and Conditions for Cancellation
This shall be determined in accordance with the reasons of and conditions for the cancellation of these Subscription Rights to Shares.

7) Restriction on Transfer
Transfer of Subscription Rights to Shares requires approval by the Board of Directors of the Succeeding Company.

Extraordinary Resolution at General Shareholders' Meeting (March 30, 2006)

	As of the end of fiscal year (December 31, 2014)		As of the end of month preceding the submission date (February 28, 2015)	
Number of Subscription Rights to Shares	23,710	5,151	22,939	4,737
Of the Subscription Rights to Shares, the number of own Subscription Rights to Shares	11,269	2,375	11,269	2,375
Class of shares to be issued upon exercise of Subscription Rights to Shares	Common stock		Same as on the left	
Number of shares to be issued upon exercise of Subscription Rights to Shares	2,371,000 (Note 1)	515,100 (Note 1)	2,293,900 (Note 1)	473,700 (Note 1)
Cash payment upon exercise of Subscription Rights to Shares	¥1,010 per share (Note 1)	¥559 per share (Note 1)	¥1,010 per share (Note 1)	¥559 per share (Note 1)
Exercise period of Subscription Rights to Shares	From March 31, 2010 to March 29, 2016		Same as on the left	
Issue price for shares issued through exercise of Subscription Rights to Shares and the amount to be included in capital	Issue price: ¥1,010 Amount to be included in capital: ¥505 (Note 1)	Issue price: ¥853 Amount to be included in capital: ¥427 (Note 1)	Issue price: ¥1,010 Amount to be included in capital: ¥505 (Note 1)	Issue price: ¥853 Amount to be included in capital: ¥427 (Note 1)
Conditions for exercise of Subscription Rights to Shares	Those who received the allotment of the issue of Subscription Rights to Shares shall remain Directors, Company Auditors or employees of the Company, or its subsidiaries or associates at the time of exercising such rights, provided however that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances. Other conditions for exercise shall be subject to the provisions of the agreement on the allotment of Subscription Rights to Shares to be concluded between the Company and the holders of Subscription Rights to Shares, based on resolution at the Board of Directors on the issuance of Subscription Rights to Shares.		Same as on the left	
Matters concerning transfer of Subscription Rights to Shares	Subscription Rights to Shares shall not be inherited, offered for pledge or disposed of in any other way.		Same as on the left	
Matters concerning collateral payment	—		—	
Matters concerning issuance of Subscription Rights to Shares accompanying organizational restructuring	(Note 3)		(Note 3)	

(Notes) 1 If the Company splits its common stock or consolidates its common stock after the date of issuance of Subscription Rights to Shares, exercise price shall be adjusted according to the following formula. Any fraction less than ¥1 as a result of such adjustment shall be rounded up.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{1}{\text{Ratio of split or consolidation}}$$

Furthermore, in the event of issuance of common stock or disposal of treasury stock at price below market value after the date of issuance of Subscription Rights to Shares (except those associated with the exercise of Subscription Rights to Shares, or those associated with the exercise of Subscription Rights to Shares in accordance with provisions of Article 280-19 of the Commercial Code prior to its amendment on April 1, 2002, or those associated with the exercise of subscription warrants on bond in accordance with the provisions of Article 341-8 of the said Code), exercise price shall be adjusted according to the following formula. Any fraction less than ¥1 as a result of such adjustment shall be rounded up. In other cases of issuance of Subscription Rights to Shares (insofar as price of the shares issued in association with the exercise of such subscription rights is below the market value at the time of issuance of the Subscription Rights to Shares), exercise price shall be adjusted likewise.

Number of shares issued in the following formula shall refer to the total number of shares issued in the Company less the number of treasury stocks held by the Company.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{\text{Number of shares issued} + \dfrac{\text{Number of shares newly issued} \times \text{Cash payment per share}}{\text{Share price prior to new issuance}}}{\text{Number of shares issued} + \text{number of shares newly issued}}$$

2 Scheduled number of shares including those yet to be cancelled.

3 In the event of share exchange or share transfer in which the Company becomes a wholly owned subsidiary, obligations based on the Subscription Rights to Shares shall be succeeded by the company which becomes the Company’s wholly-owning parent as a result of such share exchange or share transfer (hereinafter referred to as “Succeeding Company”). Policy for determining the contents of Subscription Rights to Shares to be succeeded shall be as follows.

1) Class of Shares to be Issued
   Shares in the Succeeding Company of the same class as the common stocks in the Company.
2) Number of Shares to be Issued
   This shall be calculated by multiplying the number of shares to be issued upon the exercise of Subscription Rights to Shares by the number of shares in the Succeeding Company allotted to one share in the Company at the time of share exchange or share transfer (hereinafter referred to as “Share Allotment Ratio”). Any fraction less than one share shall be rounded up.
3) Exercise Price
   This shall be the amount calculated by dividing the cash payment at the time of exercise of the Subscription Rights to Shares by the Share Allotment Ratio. Any fraction less than ¥1 shall be rounded up.
4) Exercise Period
   This shall be the exercise period of these Subscription Rights to Shares. In the event that such exercise period has already started at the time of the succession, it shall start on the effective date of the share exchange or share transfer, and shall end on the expiry date of such exercise period.
5) Conditions for Exercise
   This shall be determined in accordance with the conditions for the exercise of these Subscription Rights to Shares.
6) Reasons and Conditions for Cancellation
   This shall be determined in accordance with the reasons of and conditions for the cancellation of these Subscription Rights to Shares.

7) Restriction on Transfer
   Transfer of Subscription Rights to Shares requires approval by the Board of Directors of the Succeeding Company.

Extraordinary Resolution at General Shareholders' Meeting (March 27, 2008)

	As of the end of fiscal year (December 31, 2014)	As of the end of month preceding the submission date (February 28, 2015)
Number of Subscription Rights to Shares	17,428	16,205
Of the Subscription Rights to Shares, the number of own Subscription Rights to Shares	7,145	7,145
Class of shares to be issued upon exercise of Subscription Rights to Shares	Common stock	Same as on the left
Number of shares to be issued upon exercise of Subscription Rights to Shares	1,742,800 (Note 1)	1,620,500 (Note 1)
Cash payment upon exercise of Subscription Rights to Shares	¥563 per share (Note 1)	¥563 per share (Note 1)
Exercise period of Subscription Rights to Shares	From March 28, 2012 to March 26, 2018	Same as on the left
Issue price for shares issued through exercise of Subscription Rights to Shares and the amount to be included in capital	Issue price: ¥841 Amount to be included in capital: ¥421 (Note 1)	Issue price: ¥841 Amount to be included in capital: ¥421 (Note 1)
Conditions for exercise of Subscription Rights to Shares	Those who received the allotment of the issue of Subscription Rights to Shares shall remain Directors, Company Auditors or employees of the Company, or its subsidiaries or associates at the time of exercising such rights, provided however that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances. Other conditions for exercise shall be subject to the provisions of the agreement on the allotment of Subscription Rights to Shares to be concluded between the Company and the holders of Subscription Rights to Shares, based on resolution at the Board of Directors on the issuance of Subscription Rights to Shares.	Same as on the left
Matters concerning transfer of Subscription Rights to Shares	Subscription Rights to Shares shall not be inherited, offered for pledge or disposed of in any other way.	Same as on the left
Matters concerning collateral payment	—	—
Matters concerning issuance of Subscription Rights to Shares accompanying organizational restructuring	(Note 3)	(Note 3)

(Notes) 1 If the Company splits its common stock or consolidates its common stock after the date of issuance of Subscription Rights to Shares, exercise price shall be adjusted according to the following formula. Any fraction less than ¥1 as a result of such adjustment shall be rounded up.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{1}{\text{Ratio of split or consolidation}}$$

Furthermore, in the event of issuance of common stock or disposal of treasury stock at price below market value after the date of issuance of Subscription Rights to Shares (except those associated with the exercise of Subscription Rights to Shares, or those associated with the exercise of Subscription Rights to Shares in accordance with provisions of Article 280-19 of the Commercial Code prior to its amendment on April 1, 2002, or those associated with the exercise of subscription warrants on bond in accordance with the provisions of Article 341-8 of the said Code), exercise price shall be adjusted according to the following formula. Any fraction less than ¥1 as a result of such adjustment shall be rounded up. In other cases of issuance of Subscription Rights to Shares (insofar as price of the shares issued in association with the exercise of such subscription rights is below the market value at the time of issuance of the Subscription Rights to Shares), exercise price shall be adjusted likewise.

Number of shares issued in the following formula shall refer to the total number of shares issued in the Company less the number of treasury stocks held by the Company.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{\text{Number of shares issued} + \dfrac{\text{Number of shares newly issued} \times \text{Cash payment per share}}{\text{Share price prior to new issuance}}}{\text{Number of shares issued} + \text{number of shares newly issued}}$$

2 Scheduled number of shares including those yet to be cancelled.

3 In the event of share exchange or share transfer in which the Company becomes a wholly owned subsidiary, obligations based on the Subscription Rights to Shares shall be succeeded by the company which becomes the Company’s wholly-owning parent as a result of such share exchange or share transfer (hereinafter referred to as “Succeeding Company”). Policy for determining the contents of Subscription Rights to Shares to be succeeded shall be as follows.

1) Class of Shares to be Issued
Shares in the Succeeding Company of the same class as the common stocks in the Company.

2) Number of Shares to be Issued
This shall be calculated by multiplying the number of shares to be issued upon the exercise of Subscription Rights to Shares by the number of shares in the Succeeding Company allotted to one share in the Company at the time of share exchange or share transfer (hereinafter referred to as “Share Allotment Ratio”). Any fraction less than one share shall be rounded up.

3) Exercise Price
This shall be the amount calculated by dividing the cash payment at the time of exercise of the Subscription Rights to Shares by the Share Allotment Ratio. Any fraction less than ¥1 shall be rounded up.

4) Exercise Period
This shall be the exercise period of these Subscription Rights to Shares. In the event that such exercise period has already started at the time of the succession, it shall start on the effective date of the share exchange or share transfer, and shall end on the expiry date of such exercise period.

5) Conditions for Exercise
This shall be determined in accordance with the conditions for the exercise of these Subscription Rights to Shares.

6) Reasons and Conditions for Cancellation
This shall be determined in accordance with the reasons of and conditions for the cancellation of these Subscription Rights to Shares.

7) Restriction on Transfer
   Transfer of Subscription Rights to Shares requires approval by the Board of Directors of the Succeeding Company.

Extraordinary Resolution at General Shareholders' Meeting (March 27, 2009)

	As of the end of fiscal year (December 31, 2014)	As of the end of month preceding the submission date (February 28, 2015)
Number of Subscription Rights to Shares	8,237	7,798
Of the Subscription Rights to Shares, the number of own Subscription Rights to Shares	3,153	3,153
Class of shares to be issued upon exercise of Subscription Rights to Shares	Common stock	Same as on the left
Number of shares to be issued upon exercise of Subscription Rights to Shares	823,700 (Note 1)	779,800 (Note 1)
Cash payment upon exercise of Subscription Rights to Shares	¥707 per share (Note 1)	¥707 per share (Note 1)
Exercise period of Subscription Rights to Shares	From March 28, 2013 to March 26, 2019	Same as on the left
Issue price for shares issued through exercise of Subscription Rights to Shares and the amount to be included in capital	Issue price: ¥1,029 Amount to be included in capital: ¥515 (Note 1)	Issue price: ¥1,029 Amount to be included in capital: ¥515 (Note 1)
Conditions for exercise of Subscription Rights to Shares	Those who received the allotment of the issue of Subscription Rights to Shares shall remain Directors, Executive Officers, Company Auditors or employees of the Company, or its subsidiaries or associates at the time of exercising such rights, provided however that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances. Other conditions for the exercise shall be subject to the provisions of the agreement on the allotment of Subscription Rights to Shares to be concluded between the Company and the holders of Subscription Rights to Shares, based on resolution at the Board of Directors on the issuance of Subscription Rights to Shares.	Same as on the left
Matters concerning transfer of Subscription Rights to Shares	Subscription Rights to Shares shall not be inherited, offered for pledge or disposed of in any other way.	Same as on the left
Matters concerning collateral payment	—	—
Matters concerning issuance of Subscription Rights to Shares accompanying organizational restructuring	(Note 3)	(Note 3)

(Notes) 1 If the Company splits its common stock or consolidates its common stock after the date of issuance of Subscription Rights to Shares, exercise price shall be adjusted according to the following formula. Any fraction less than ¥1 as a result of such adjustment shall be rounded up.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{1}{\text{Ratio of split or consolidation}}$$

Furthermore, in the event of issuance of common stock or disposal of treasury stock at price below market value after the date of issuance of Subscription Rights to Shares (except those associated with the exercise of Subscription Rights to Shares, or those associated with the exercise of Subscription Rights to Shares in accordance with provisions of Article 280-19 of the Commercial Code prior to its amendment on April 1, 2002, or those associated with the exercise of subscription warrants on bond in accordance with the provisions of Article 341-8 of the said Code), exercise price shall be adjusted according to the following formula. Any fraction less than ¥1 as a result of such adjustment shall be rounded up. In other cases of issuance of Subscription Rights to Shares (insofar as price of the shares issued in association with the exercise of such subscription rights is below the market value at the time of issuance of the Subscription Rights to Shares), exercise price shall be adjusted likewise.

Number of shares issued in the following formula shall refer to the total number of shares issued in the Company less the number of treasury stocks held by the Company.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{\text{Number of shares issued} + \dfrac{\text{Number of shares newly issued} \times \text{Cash payment per share}}{\text{Share price prior to new issuance}}}{\text{Number of shares issued} + \text{number of shares newly issued}}$$

2 Scheduled number of shares including those yet to be cancelled.

3 In the event of share exchange or share transfer in which the Company becomes a wholly owned subsidiary, obligations based on the Subscription Rights to Shares shall be succeeded by the company which becomes the Company's wholly-owning parent as a result of such share exchange or share transfer (hereinafter referred to as "Succeeding Company"). Policy for determining the contents of Subscription Rights to Shares to be succeeded shall be as follows.

1) Class of Shares to be Issued
Shares in the Succeeding Company of the same class as the common stocks in the Company.

2) Number of Shares to be Issued
This shall be calculated by multiplying the number of shares to be issued upon the exercise of Subscription Rights to Shares by the number of shares in the Succeeding Company allotted to one share in the Company at the time of share exchange or share transfer (hereinafter referred to as "Share Allotment Ratio"). Any fraction less than one share shall be rounded up.

3) Exercise Price
This shall be the amount calculated by dividing the cash payment at the time of exercise of the Subscription Rights to Shares by the Share Allotment Ratio. Any fraction less than ¥1 shall be rounded up.

4) Exercise Period
This shall be the exercise period of these Subscription Rights to Shares. In the event that such exercise period has already started at the time of the succession, it shall start on the effective date of the share exchange or share transfer, and shall end on the expiry date of such exercise period.

5) Conditions for Exercise
This shall be determined in accordance with the conditions for the exercise of these Subscription Rights to Shares.

6) Reasons and Conditions for Cancellation
   This shall be determined in accordance with the reasons of and conditions for the cancellation of these Subscription Rights to Shares.
7) Restriction on Transfer
   Transfer of Subscription Rights to Shares requires approval by the Board of Directors of the Succeeding Company.

Extraordinary Resolution at General Shareholders' Meeting (March 29, 2012)

	As of the end of fiscal year (December 31, 2014)		As of the end of month preceding the submission date (February 28, 2015)	
Number of Subscription Rights to Shares	3,521	1,098	3,521	1,098
Of the Subscription Rights to Shares, the number of own Subscription Rights to Shares	859	165	894	176
Class of shares to be issued upon exercise of Subscription Rights to Shares	Common stock		Same as on the left	
Number of shares to be issued upon exercise of Subscription Rights to Shares	352,100 (Note 1)	109,800 (Note 1)	352,100 (Note 1)	109,800 (Note 1)
Cash payment upon exercise of Subscription Rights to Shares	¥1 per share (Note 2)	¥1 per share (Note 2)	¥1 per share (Note 1)	¥1 per share (Note 1)
Exercise period of Subscription Rights to Shares	From March 30, 2016 to March 28, 2022 (Note 3)		Same as on the left	
Issue price for shares issued through exercise of Subscription Rights to Shares and the amount to be included in capital	Issue price: ¥815 Amount to be included in capital: ¥408 (Note 5)	Issue price: ¥770 Amount to be included in capital: ¥385 (Note 5)	Issue price: ¥815 Amount to be included in capital: ¥408 (Note 5)	Issue price: ¥770 Amount to be included in capital: ¥385 (Note 5)
Conditions for exercise of Subscription Rights to Shares	(Note 4)		(Note 4)	
Matters concerning transfer of Subscription Rights to Shares	(Note 7)		(Note 7)	
Matters concerning collateral payment	—		—	
Matters concerning issuance of Subscription Rights to Shares accompanying organizational restructuring	(Note 8)		(Note 8)	

(Notes) 1 Class and number of shares to be issued upon exercise of Subscription Rights to Shares (hereinafter referred to as "Issued Shares")

If the Company splits its common stock (including allotment of its common stock without compensation; hereinafter the same shall apply) or consolidates its common stock, the number of shares to be issued upon exercise of each unit of such Subscription Rights to Shares shall be adjusted according to the following formula; provided that such adjustment shall be made only to those remain unexercised or uncanceled at the time of such adjustment and; provided, further, that if any fraction less than one share arises as a result of such adjustment, such fraction shall be discarded.

$$\text{Number of Issued Shares after adjustment} = \text{Number of Issued Shares before adjustment} \times \text{Ratio of split or consolidation}$$

In addition, if the Company carries out a merger, a company split, share exchange, share transfer, etc. that makes it necessary to adjust the number of shares, the number of Issued Shares shall be adjusted within a reasonable range, taking into account the conditions of the merger, company split, share exchange, share transfer, etc.

2 Value of the assets to be contributed upon exercise of Subscription Rights to Shares

This shall be the amount calculated by multiplying the cash payment per share issued as a result of the exercise (including the transfer of treasury stock as substitute for such issue; hereinafter the same) of each Subscription Right to Shares (hereinafter referred to as “Exercise Price”) by the number of shares to be issued upon exercise of the Subscription Rights to Shares.

Exercise Price shall be ¥1 per share. If the Company slits its common stock or consolidates its common stock after the issue date, Exercise Price shall be adjusted according to the following formula. Any fraction less than ¥1 per Subscription Right to Shares as a result of such adjustment shall be rounded up.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{1}{\text{Ratio of split or consolidation}}$$

Besides the above, in case the Company carries out a merger, etc., or according as other such circumstances that make it necessary to adjust the Exercise Price after issuance, the Exercise Price may be adjusted as appropriate within a necessary and reasonable range.

3 Exercise period of Subscription Rights to Shares

Exercise period of Subscription Rights to Shares shall be from March 30, 2016 to March 28, 2022. If the final day of the exercise period falls on a holiday of the Company, the final day shall be the working day immediately preceding the final day.

4 Conditions for exercise of Subscription Rights to Shares

1) Those who received the allotment of the issue of Subscription Rights to Shares shall remain Directors, Executive Officers, Company Auditors or employees of the Company, or its subsidiaries or affiliates at the time of exercising such rights, provided however that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.
2) Subscription Rights to Shares shall not be inherited, provided however that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.
3) Subscription Rights to Shares shall not be offered for pledge or disposed of in any other way.

5 Matters concerning increase in capital stock and capital reserve by issuing of shares upon exercise of Subscription Rights to Shares

1) Amount of increase in capital stock by issuing shares upon exercise of Subscription Rights to Shares shall be half of the upper limit of capital increase as calculated pursuant to the provisions of Article 17, Paragraph 1 of the Ordinance on Accounting of Companies, where any resultant fraction less than one yen shall be rounded up.
2) Amount of increase in capital reserve by issuing shares upon exercise of Subscription Rights to Shares shall be the upper limit of capital stock increase as described in 1) above less the amount of increase in capital stock set out therein.

6 Reasons and conditions for the acquisition of Subscription Rights to Shares

1) In case that the proposal of any merger agreement under which the Company is dissolved, or any absorption-type company split (kyushu-bunkatsu) agreement or incorporation-type company split (shinsetsu-bunkatsu) plan in which the Company will be a splitting company, or any share exchange agreement or share transfer plan in which the Company will be a wholly owned subsidiary of another company is approved at a General Shareholders’ Meeting of the Company, the Company may acquire Subscription Rights to Shares at the date specifically determined by the Board of Directors of the Company without any compensation therefor.
2) In case that Holders of Subscription Rights to Shares ceases to accommodate the conditions of 4 1) above before exercising Subscription Rights to Shares, the Company may acquire such Subscription Rights to Shares at the date specifically determined by the Board of Directors of the Company without any compensation therefor.

7 Restriction on the acquisition of Subscription Rights to Shares by transfer

Any acquisition of Subscription Rights to Shares by transfer shall require an approval of the Board of Directors of the Company by its resolution.

8 In the event the Company merges (limited to cases where the Company becomes a dissolving company), performs an absorption-type company split or an incorporation-type company split, or conducts a share exchange or a share transfer (hereinafter collectively referred to as "Organizational Restructuring"), Subscription Rights to Shares of a corporation that survives after the merger, a corporation incorporated as a result of the merger, a corporation that succeeds, whole or part, to any rights and obligations that the Company holds in connection with its business as a result of an absorption-type company split, a corporation incorporated as a result of the incorporation-type company split, a corporation that acquires all of the issued shares of the Company effecting the share exchange, or a corporation incorporated as a result of the share transfer (hereinafter referred to as "Restructured Company") shall be delivered under the following conditions to each those who received the allotment of the issue of Subscription Rights to Shares remaining unexercised (hereinafter referred to as "Remaining Subscription Rights to Shares") at the time when Organizational Restructuring takes effect. In this case, the Remaining Subscription Rights to Shares will lapse and the Restructured Company will issue new Subscription Rights to Shares. However, the foregoing shall apply only to cases in which the delivery of Subscription Rights to Shares of the Restructured Company according to the following conditions is stipulated in the merger agreement, the absorption-type company split agreement, the incorporation-type company split plan, the share exchange agreement or the share transfer plan.

1) Number of Subscription Rights to Shares of the Restructured Company to be delivered
The Restructured Company shall deliver Subscription Rights to Shares, the number of which shall equal the number of Subscription Rights to Shares held by the holder of the Remaining Subscription Rights to Shares.

2) Class of shares of the Restructured Company to be issued upon the exercise of Subscription Rights to Shares
Shares of common stock of the Restructured Company

3) Number of shares of the Restructured Company to be issued upon the exercise of Subscription Rights to Shares
To be decided according to 1 above after taking into consideration the conditions, etc. of the Organizational Restructuring.

4) Value of the assets to be contributed upon the exercise of Subscription Rights to Shares
The value of the assets to be contributed upon the exercise of each Subscription Right to Shares granted shall be the amount paid per share after restructuring obtained by adjusting the Exercise Price stipulated in 2 above after taking into consideration the conditions, etc. of Organizational Restructuring multiplied by the number of shares of the Restructured Company to be issued upon the exercise of the Subscription Rights to Shares as determined in accordance with 3) above.

5) Exercise period of Subscription Rights to Shares
Starting from the later of either the first date of the exercise period of Subscription Rights to Shares as stipulated in 3 above, or the date on which the Organizational Restructuring becomes effective and ending on the expiration date for the exercise of Subscription Rights to Shares as stipulated in 3 above.

6) Matters concerning increase in capital stock and capital reserve to be increased by issuing of shares by the Restructured Company upon the exercise of Subscription Rights to Shares
To be determined in accordance with 5 above.

7) Restriction on acquisition of Subscription Rights to Shares by transfer
Acquisition of Subscription Rights to Shares by transfer shall be subject to the approval of the Board of Directors of the Company under Organizational Restructuring (or by the majority decision of Directors if such company is not a company with Board of

Directors).

8) Reason and conditions for acquisition of Subscription Rights to Shares
To be determined in accordance with 6 above.

9 Rules pertaining to fractions of less than one share arising from the exercise of Subscription Rights to Shares
Fractions of less than one share in the number of shares to be delivered to holders of Subscription Rights to Shares who exercised Subscription Rights to Shares shall be discarded.

Extraordinary Resolution at General Shareholders' Meeting (March 29, 2012)

	As of the end of fiscal year (December 31, 2014)		As of the end of month preceding the submission date (February 28, 2015)	
Number of Subscription Rights to Shares	5	14,780	5	14,780
Of the Subscription Rights to Shares, the number of own Subscription Rights to Shares	1	2,727	1	2,899
Class of shares to be issued upon exercise of Subscription Rights to Shares	Common stock		Same as on the left	
Number of shares to be issued upon exercise of Subscription Rights to Shares	500 (Note 1)	1,478,000 (Note 1)	500 (Note 1)	1,478,000 (Note 1)
Cash payment upon exercise of Subscription Rights to Shares	¥1 per share (Note 2)	¥1 per share (Note 2)	¥1 per share (Note 2)	¥1 per share (Note 2)
Exercise period of Subscription Rights to Shares	From March 30, 2016 to March 28, 2022 (Note 3)		Same as on the left	
Issue price for shares issued through exercise of Subscription Rights to Shares and the amount to be included in capital	Issue price: ¥770 Amount to be included in capital: ¥385 (Note 5)	Issue price: ¥835 Amount to be included in capital: ¥418 (Note 5)	Issue price: ¥770 Amount to be included in capital: ¥385 (Note 5)	Issue price: ¥835 Amount to be included in capital: ¥418 (Note 5)
Conditions for exercise of Subscription Rights to Shares	(Note 4)		(Note 4)	
Matters concerning transfer of Subscription Rights to Shares	(Note 7)		(Note 7)	
Matters concerning collateral payment	—		—	
Matters concerning issuance of Subscription Rights to Shares accompanying organizational restructuring	(Note 8)		(Note 8)	

(Notes) 1 Class and number of shares to be issued upon exercise of Subscription Rights to Shares (hereinafter referred to as "Issued Shares")

If the Company splits its common stock (including allotment of its common stock without compensation; hereinafter the same shall apply) or consolidates its common stock, the number of shares to be issued upon exercise of each unit of such Subscription Rights to Shares shall be adjusted according to the following formula; provided that such adjustment shall be made only to those remain unexercised or uncanceled at the time of such adjustment and; provided, further, that if any fraction less than one share arises as a result of such adjustment, such fraction shall be discarded.

$$\text{Number of Issued Shares after adjustment} = \text{Number of Issued Shares before adjustment} \times \text{Ratio of split or consolidation}$$

In addition, if the Company carries out a merger, a company split, share exchange, share transfer, etc. that makes it necessary to adjust the number of shares, the number of Issued Shares shall be adjusted within a reasonable range, taking into account the conditions of the merger, company split, share exchange, share transfer, etc.

2 Value of the assets to be contributed upon exercise of Subscription Rights to Shares

This shall be the amount calculated by multiplying the cash payment per share issued as a result of the exercise (including the transfer of treasury stock as substitute for such issue; hereinafter the same) of each Subscription Right to Shares (hereinafter referred to as “Exercise Price”) by the number of shares to be issued upon exercise of the Subscription Rights to Shares.

Exercise Price shall be ¥1 per share. If the Company slits its common stock or consolidates its common stock after the issue date, Exercise Price shall be adjusted according to the following formula. Any fraction less than ¥1 per Subscription Right to Shares as a result of such adjustment shall be rounded up.

$$\begin{matrix}\text{Exercise price} \\ \text{after adjustment}\end{matrix} = \begin{matrix}\text{Exercise price} \\ \text{before adjustment}\end{matrix} \times \frac{1}{\text{Ratio of split or consolidation}}$$

Besides the above, in case the Company carries out a merger, etc., or according as other such circumstances that make it necessary to adjust the Exercise Price after issuance, the Exercise Price may be adjusted as appropriate within a necessary and reasonable range.

3 Exercise period of Subscription Rights to Shares

Exercise period of Subscription Rights to Shares shall be from March 30, 2016 to March 28, 2022. If the final day of the exercise period falls on a holiday of the Company, the final day shall be the working day immediately preceding the final day.

4 Conditions for exercise of Subscription Rights to Shares

1) Those who received the allotment of the issue of Subscription Rights to Shares shall remain Directors, Executive Officers, Company Auditors or employees of the Company, or its subsidiaries or affiliates at the time of exercising such rights, provided however that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.
2) Subscription Rights to Shares shall not be inherited, provided however that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.
3) Subscription Rights to Shares shall not be offered for pledge or disposed of in any other way.

5 Matters concerning increase in capital stock and capital reserve by issuing of shares upon exercise of Subscription Rights to Shares

1) Amount of increase in capital stock by issuing shares upon exercise of Subscription Rights to Shares shall be half of the upper limit of capital increase as calculated pursuant to the provisions of Article 17, Paragraph 1 of the Ordinance on Accounting of Companies, where any resultant fraction less than one yen shall be rounded up.
2) Amount of increase in capital reserve by issuing shares upon exercise of Subscription Rights to Shares shall be the upper limit of capital stock increase as described in 1) above less the amount of increase in capital stock set out therein.

6 Reasons and conditions for the acquisition of Subscription Rights to Shares

1) In case that the proposal of any merger agreement under which the Company is dissolved, or any absorption-type company split (kyushu-bunkatsu) agreement or incorporation-type company split (shinsetsu-bunkatsu) plan in which the Company will be a splitting company, or any share exchange agreement or share transfer plan in which the Company will be a wholly owned subsidiary of another company is approved at a General Shareholders’ Meeting of the Company, the Company may acquire Subscription Rights to Shares at the date specifically determined by the Board of Directors of the Company without any compensation therefor.
2) In case that Holders of Subscription Rights to Shares ceases to accommodate the conditions of 4 1) above before exercising Subscription Rights to Shares, the Company may acquire such Subscription Rights to Shares at the date specifically determined by the Board of Directors of the Company without any compensation therefor.

7 Restriction on the acquisition of Subscription Rights to Shares by transfer

Any acquisition of Subscription Rights to Shares by transfer shall require an approval of the Board of Directors of the Company by its resolution.

8 In the event the Company merges (limited to cases where the Company becomes a dissolving company), performs an absorption-type company split or an incorporation-type company split, or conducts a share exchange or a share transfer (hereinafter collectively referred to as “Organizational Restructuring”), Subscription Rights to Shares of a corporation that survives after the merger, a corporation incorporated as a result of the merger, a corporation that succeeds, whole or part, to any rights and obligations that the Company holds in connection with its business as a result of an absorption-type company split, a corporation incorporated as a result of the incorporation-type company split, a corporation that acquires all of the issued shares of the Company effecting the share exchange, or a corporation incorporated as a result of the share transfer (hereinafter referred to as “Restructured Company”) shall be delivered under the following conditions to each those who received the allotment of the issue of Subscription Rights to Shares remaining unexercised (hereinafter referred to as “Remaining Subscription Rights to Shares”) at the time when Organizational Restructuring takes effect. In this case, the Remaining Subscription Rights to Shares will lapse and the Restructured Company will issue new Subscription Rights to Shares. However, the foregoing shall apply only to cases in which the delivery of Subscription Rights to Shares of the Restructured Company according to the following conditions is stipulated in the merger agreement, the absorption-type company split agreement, the incorporation-type company split plan, the share exchange agreement or the share transfer plan.

1) Number of Subscription Rights to Shares of the Restructured Company to be delivered
   The Restructured Company shall deliver Subscription Rights to Shares, the number of which shall equal the number of Subscription Rights to Shares held by the holder of the Remaining Subscription Rights to Shares.
2) Class of shares of the Restructured Company to be issued upon the exercise of Subscription Rights to Shares
   Shares of common stock of the Restructured Company
3) Number of shares of the Restructured Company to be issued upon the exercise of Subscription Rights to Shares
   To be decided according to 1 above after taking into consideration the conditions, etc. of the Organizational Restructuring.
4) Value of the assets to be contributed upon the exercise of Subscription Rights to Shares
   The value of the assets to be contributed upon the exercise of each Subscription Right to Shares granted shall be the amount paid per share after restructuring obtained by adjusting the Exercise Price stipulated in 2 above after taking into consideration the conditions, etc. of Organizational Restructuring multiplied by the number of shares of the Restructured Company to be issued upon the exercise of the Subscription Rights to Shares as determined in accordance with 3) above.
5) Exercise period of Subscription Rights to Shares
   Starting from the later of either the first date of the exercise period of Subscription Rights to Shares as stipulated in 3 above, or the date on which the Organizational Restructuring becomes effective and ending on the expiration date for the exercise of Subscription Rights to Shares as stipulated in 3 above.
6) Matters concerning increase in capital stock and capital reserve to be increased by issuing of shares by the Restructured Company upon the exercise of Subscription Rights to Shares
   To be determined in accordance with 5 above.
7) Restriction on acquisition of Subscription Rights to Shares by transfer
   Acquisition of Subscription Rights to Shares by transfer shall be subject to the approval of the Board of Directors of the Company under Organizational Restructuring (or by the majority decision of Directors if such company is not a company with Board of

Directors).

8) Reason and conditions for acquisition of Subscription Rights to Shares
To be determined in accordance with 6 above.

9 Rules pertaining to fractions of less than one share arising from the exercise of Subscription Rights to Shares
Fractions of less than one share in the number of shares to be delivered to holders of Subscription Rights to Shares who exercised Subscription Rights to Shares shall be discarded.

Extraordinary Resolution at General Shareholders' Meeting (March 29, 2012)

	As of the end of fiscal year (December 31, 2014)	As of the end of month preceding the submission date (February 28, 2015)
Number of Subscription Rights to Shares	2,462	2,462
Of the Subscription Rights to Shares, the number of own Subscription Rights to Shares	1,566	1,566
Class of shares to be issued upon exercise of Subscription Rights to Shares	Common stock	Same as on the left
Number of shares to be issued upon exercise of Subscription Rights to Shares	246,200 (Note 1)	246,200 (Note 1)
Cash payment upon exercise of Subscription Rights to Shares	¥1 per share (Note 2)	¥1 per share (Note 2)
Exercise period of Subscription Rights to Shares	A. One third of grated shares From April 20, 2014 to April 20, 2022 B. One third of grated shares From April 20, 2015 to April 20, 2022 C. One third of grated shares From April 20, 2016 to April 20, 2022 (Note 3)	Same as on the left
Issue price for shares issued through exercise of Subscription Rights to Shares and the amount to be included in capital	A. Issue price: ¥889 Amount to be included in capital: ¥445 B. Issue price: ¥886 Amount to be included in capital: ¥443 C. Issue price: ¥884 Amount to be included in capital: ¥442 (Note 5)	A. Issue price: ¥889 Amount to be included in capital: ¥445 B. Issue price: ¥886 Amount to be included in capital: ¥443 C. Issue price: ¥884 Amount to be included in capital: ¥442 (Note 5)
Conditions for exercise of Subscription Rights to Shares	(Note 4)	(Note 4)
Matters concerning transfer of Subscription Rights to Shares	(Note 7)	(Note 7)
Matters concerning collateral payment	—	—
Matters concerning issuance of Subscription Rights to Shares accompanying organizational restructuring	(Note 8)	(Note 8)

(Notes) 1 Class and number of shares to be issued upon exercise of Subscription Rights to Shares (hereinafter referred to as "Issued Shares")

If the Company splits its common stock (including allotment of its common stock without compensation; hereinafter the same shall apply) or consolidates its common stock, the number of shares to be issued upon exercise of each unit of such Subscription Rights to Shares shall be adjusted according to the following formula; provided that such adjustment shall be made only to those remain unexercised or uncanceled at the time of such adjustment and; provided, further, that if any fraction less than one share arises as a result of such adjustment, such fraction shall be discarded.

$$\text{Number of Issued Shares after adjustment} = \text{Number of Issued Shares before adjustment} \times \text{Ratio of split or consolidation}$$

In addition, if the Company carries out a merger, a company split, share exchange, share transfer, etc. that makes it necessary to adjust the number of shares, the number of Issued Shares shall be adjusted within a reasonable range, taking into account the conditions of the merger, company split, share exchange, share transfer, etc.

2 Value of the assets to be contributed upon exercise of Subscription Rights to Shares

This shall be the amount calculated by multiplying the cash payment per share issued as a result of the exercise (including the transfer of treasury stock as substitute for such issue; hereinafter the same) of each Subscription Right to Shares (hereinafter referred to as "Exercise Price") by the number of shares to be issued upon exercise of the Subscription Rights to Shares.

Exercise Price shall be ¥1 per share. If the Company slits its common stock or consolidates its common stock after the issue date, Exercise Price shall be adjusted according to the following formula. Any fraction less than ¥1 per Subscription Right to Shares as a result of such adjustment shall be rounded up.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{1}{\text{Ratio of split or consolidation}}$$

Besides the above, in case the Company carries out a merger, etc., or according as other such circumstances that make it necessary to adjust the Exercise Price after issuance, the Exercise Price may be adjusted as appropriate within a necessary and reasonable range.

3 Exercise period of Subscription Rights to Shares

Exercise period of Subscription Rights to Shares shall be from the second year through to the tenth year of the day of the granting and allotting. If the final day of the exercise period falls on a holiday of the Company, the final day shall be the working day immediately preceding the final day.

4 Conditions for exercise of Subscription Rights to Shares

1) Those who received the allotment of issue of Subscription Rights to Shares may exercise all or a part of the stock options in accordance with the following classifications:

(i) Those who received the allotment of issue of Subscription Rights to Shares may not exercise any of the Subscription Rights to Shares allotted to him/her from Issue Date to the date immediately preceding the second year of the Issue Date.

(ii) Those who received the allotment of issue of Subscription Rights to Shares may exercise one-third of the Subscription Rights to Shares allotted to him/her from the second year of the Issue Date to the date immediately preceding the third year of the Issue Date (in calculating the number of Subscription Rights to Shares that would have become exercisable, any fraction less than one shall be rounded down).

(iii) Those who received the allotment of issue of Subscription Rights to Shares may exercise two-thirds (However, if a part of the Subscription Rights to Shares allotted is exercised by the third year, exercisable Subscription Rights to Shares shall be within two-thirds of the allotted Subscription Rights to Shares, including the already exercised Subscription Rights to Shares) of the Subscription Rights to Shares allotted to him/her from the third year of the Issue Date to the date immediately preceding the fourth year of the Issue Date (in calculating the number of Subscription Rights to Shares that would have become exercisable, any fraction less than one shall be rounded down).

(iv) Those who received the allotment of issue of Subscription Rights to Shares may exercise all the Subscription Rights to Shares allotted to him/her from the fourth year of the Issue Date through to the tenth year of the Issue Date.

2) Those who received the allotment of issue of Subscription Rights to Shares shall remain Directors, Executive Officers, Company Auditors or employees of the Company, or its subsidiaries or affiliates at the time of exercising such rights; provided however that, this shall not apply to cases where (i) those who received the allotment of the issue of Subscription Rights to Shares exercise Subscription Rights to Shares which are exercisable at the time of the termination of delegation or employment relationship (including a case where those who received the allotment of the issue of Subscription Rights to Shares have passed away) between them and the Company's overseas subsidiaries or affiliates with which they primarily have said delegation or employment relationship within 30 days from such termination, or (ii) it is allowed as an exceptional case by the Board of Directors in consideration of circumstances.

In addition, allotted Subscription Rights to Shares which are not then exercisable shall not be exercised thereafter: (a) in cases where those who received the allotment of the issue of Subscription Rights to Shares retire or leave the Company of their own accord; those who received the allotment of the issue of Subscription Rights to Shares are dismissed or displaced by Kobo Inc. due to reasons imputable to them under the governing law for its incorporation; or delegation or employment relationship between those who received the allotment of the issue of Subscription Rights to Shares and Kobo Inc. terminated due to death of those who received the allotment of the issue of Subscription Rights to Shares, permanent invalidity which disables them to continue to execute their duties for Kobo Inc. or an affiliate under the governing law for its incorporation, or mandatory retirement, (b) in cases where those who received the allotment of the issue of Subscription Rights to Shares retire or leave the Company of their own accord because significant disadvantageous changes in the basic terms of the delegation or employment contract are unilaterally imposed on them by Kobo Inc. or an affiliate thereof under the governing law for its incorporation, those who received the allotment of the issue of Subscription Rights to Shares, notwithstanding the provision in 1), may also exercise their rights with respect to allotted Subscription Rights to Shares to the extent of the number obtained by multiplying the ratio of the period from the anniversary date of the Issue Date (hereinafter referred to as "Commencement Date") to the date of the retirement or leaving of the company (hereinafter referred to as "Date of Leaving") against the one-year period which includes the Date of Leaving and commences on the Commencement Date by the number of Subscription Rights to Shares that would have become exercisable pursuant to the provision in 1) at the time when the said one-year period has elapsed (However, in cases where those who received the allotment of the issue of Subscription Rights to Shares retire or leave the Company on or before the second anniversary date of the Issue Date, those who received the allotment of the issue of Subscription Rights to Shares may exercise their rights with respect to allotted Subscription Rights to Shares to the extent of the number obtained by multiplying the ratio of the period from the Issue Date to the Date of Leaving against the two-year period by the number of Subscription Rights to Shares that would have become exercisable pursuant to the provision in 1) (ii) on the second year of the date of the Issue Date) (in calculating the number of Subscription Rights to Shares that would have become exercisable, any fraction less than one shall be rounded down) (However, those who received the allotment of the issue of Subscription Rights to Shares shall exercise Subscription Rights to Shares within 30 days from the date of the termination of delegation or employment relationship with Kobo Inc.), and (c) in cases where those who received the allotment of the issue of Subscription Rights to Shares are dismissed or displaced by Kobo Inc. despite the lack of reasons imputable to them under the governing law for its incorporation, those who received the allotment of the issue of Subscription Rights to Shares may, notwithstanding the provision in 1), exercise all of allotted Subscription Rights to Shares that are held at the time of receiving the notification of dismissal or displacement (However, those who received the allotment of the issue of Subscription Rights to Shares shall exercise Subscription Rights to Shares within 30 days from the date of the termination of delegation or employment relationship with Kobo Inc.).

3) Notwithstanding the provisions of 1) above, in the event of a sale of all or substantially all of the assets of the business of Kobo Inc. to a third party other than the Company or an affiliate of Kobo Inc. under the governing law for its incorporation, or in the event of a reorganization, such as merger (except for reorganization carried out by solely involving Kobo Inc. and one or more of its affiliates under the governing law for its incorporation), with respect to which all or substantially all of the persons who were the beneficial owners of the common shares of Kobo Inc. immediately prior to such transaction do not, following such transaction, beneficially own directly or indirectly, more than 50% of the resulting voting rights of all shareholders of Kobo Inc. (including all the voting rights of Kobo Inc. or other similar rights which may be issued or transferred as a result of the exercising of the Subscription Rights to Shares of Kobo Inc.), the holder of the Subscription Rights to Shares may exercise all the rights he/she holds at the time of such event, provided that such Subscription Rights to Shares are exercised immediately before such event comes into force.

4) Subscription Rights to Shares shall not be inherited, provided however that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.

5) Subscription Rights to Shares shall not be offered for pledge or disposed of in any other way.

5 Matters concerning increase in capital stock and capital reserve by issuing of shares upon exercise of Subscription Rights to Shares

1) Amount of increase in capital stock by issuing shares upon exercise of Subscription Rights to Shares shall be half of the upper limit of capital increase as calculated pursuant to the provisions of Article 17, Paragraph 1 of the Ordinance on Accounting of Companies, where any resultant fraction less than one yen shall be rounded up.

2) Amount of increase in capital reserve by issuing shares upon exercise of Subscription Rights to Shares shall be the upper limit of capital stock increase as described in 1) above less the amount of increase in capital stock set out therein.

6 Reasons and conditions for the acquisition of Subscription Rights to Shares

1) In case that the proposal of any merger agreement under which the Company is dissolved, or any absorption-type company split (kyushu-bunkatsu) agreement or incorporation-type company split (shinsetsu-bunkatsu) plan in which the Company will be a splitting company, or any share exchange agreement or share transfer plan in which the Company will be a wholly owned subsidiary of another company is approved at a General Shareholders' Meeting of the Company, the Company may acquire Subscription Rights to Shares at the date specifically determined by the Board of Directors of the Company without any compensation therefor.

2) In case that Holders of Subscription Rights to Shares ceases to accommodate the conditions of 4 2) above before exercising Subscription Rights to Shares, the Company may acquire such Subscription Rights to Shares at the date specifically determined by the Board of Directors of the Company without any compensation therefor.

7 Restriction on the acquisition of Subscription Rights to Shares by transfer

Any acquisition of Subscription Rights to Shares by transfer shall require an approval of the Board of Directors of the Company by its resolution.

8 In the event the Company merges (limited to cases where the Company becomes a dissolving company), performs an absorption-type company split or an incorporation-type company split, or conducts a share exchange or a share transfer (hereinafter collectively referred to as "Organizational Restructuring"), Subscription Rights to Shares of a

corporation that survives after the merger, a corporation incorporated as a result of the merger, a corporation that succeeds, whole or part, to any rights and obligations that the Company holds in connection with its business as a result of an absorption-type company split, a corporation incorporated as a result of the incorporation-type company split, a corporation that acquires all of the issued shares of the Company effecting the share exchange, or a corporation incorporated as a result of the share transfer (hereinafter referred to as “Restructured Company”) shall be delivered under the following conditions to each those who received the allotment of the issue of Subscription Rights to Shares remaining unexercised (hereinafter referred to as “Remaining Subscription Rights to Shares”) at the time when Organizational Restructuring takes effect. In this case, the Remaining Subscription Rights to Shares will lapse and the Restructured Company will issue new Subscription Rights to Shares. However, the foregoing shall apply only to cases in which the delivery of Subscription Rights to Shares of the Restructured Company according to the following conditions is stipulated in the merger agreement, the absorption-type company split agreement, the incorporation-type company split plan, the share exchange agreement or the share transfer plan.

1) Number of Subscription Rights to Shares of the Restructured Company to be delivered
   The Restructured Company shall deliver Subscription Rights to Shares, the number of which shall equal the number of Subscription Rights to Shares held by the holder of the Remaining Subscription Rights to Shares.
2) Class of shares of the Restructured Company to be issued upon the exercise of Subscription Rights to Shares
   Shares of common stock of the Restructured Company
3) Number of shares of the Restructured Company to be issued upon the exercise of Subscription Rights to Shares
   To be decided according to 1 above after taking into consideration the conditions, etc. of the Organizational Restructuring.
4) Value of the assets to be contributed upon the exercise of Subscription Rights to Shares
   The value of the assets to be contributed upon the exercise of each Subscription Right to Shares granted shall be the amount paid per share after restructuring obtained by adjusting the Exercise Price stipulated in 2 above after taking into consideration the conditions, etc. of Organizational Restructuring multiplied by the number of shares of the Restructured Company to be issued upon the exercise of the Subscription Rights to Shares as determined in accordance with 3) above.
5) Exercise period of Subscription Rights to Shares
   Starting from the later of either the first date of the exercise period of Subscription Rights to Shares as stipulated in 3 above, or the date on which the Organizational Restructuring becomes effective and ending on the expiration date for the exercise of Subscription Rights to Shares as stipulated in 3 above.
6) Matters concerning increase in capital stock and capital reserve to be increased by issuing of shares by the Restructured Company upon the exercise of Subscription Rights to Shares
   To be determined in accordance with 5 above.
7) Restriction on acquisition of Subscription Rights to Shares by transfer
   Acquisition of Subscription Rights to Shares by transfer shall be subject to the approval of the Board of Directors of the Company under Organizational Restructuring (or by the majority decision of Directors if such company is not a company with Board of Directors).
8) Reason and conditions for acquisition of Subscription Rights to Shares
   To be determined in accordance with 6 above.

9 Rules pertaining to fractions of less than one share arising from the exercise of Subscription Rights to Shares

Fractions of less than one share in the number of shares to be delivered to holders of Subscription Rights to Shares who exercised Subscription Rights to Shares shall be discarded.

Extraordinary Resolution at General Shareholders' Meeting (March 29, 2012)

	As of the end of fiscal year (December 31, 2014)		As of the end of month preceding the submission date (February 28, 2015)	
Number of Subscription Rights to Shares	2,761	6,549	2,761	6,549
Of the Subscription Rights to Shares, the number of own Subscription Rights to Shares	—	604	—	604
Class of shares to be issued upon exercise of Subscription Rights to Shares	Common stock		Same as on the left	
Number of shares to be issued upon exercise of Subscription Rights to Shares	276,100 (Note 1)	654,900 (Note 1)	276,100 (Note 1)	654,900 (Note 1)
Cash payment upon exercise of Subscription Rights to Shares	¥1 per right (Note 2)	¥1 per right (Note 2)	¥1 per right (Note 2)	¥1 per right (Note 2)
Exercise period of Subscription Rights to Shares	From March 30, 2016 to March 28, 2022 (Note 3)		Same as on the left	
Issue price for shares issued through exercise of Subscription Rights to Shares and the amount to be included in capital	Issue price: ¥792 Amount to be included in capital: ¥396 (Note 5)	Issue price: ¥792 Amount to be included in capital: ¥396 (Note 5)	Issue price: ¥792 Amount to be included in capital: ¥396 (Note 5)	Issue price: ¥792 Amount to be included in capital: ¥396 (Note 5)
Conditions for exercise of Subscription Rights to Shares	(Note 4)		(Note 4)	
Matters concerning transfer of Subscription Rights to Shares	(Note 7)		(Note 7)	
Matters concerning collateral payment	—		—	
Matters concerning issuance of Subscription Rights to Shares accompanying organizational restructuring	(Note 8)		(Note 8)	

(Notes) 1 Class and number of shares to be issued upon exercise of Subscription Rights to Shares (hereinafter referred to as "Issued Shares")

100 shares shall be issued for each Subscription Right to Shares. (The number of shares for each Subscription Right to Shares shall be hereinafter referred to as "Number of Issued Shares.")

If the Company splits its common stock (including allotment of its common stock without compensation; hereinafter the same shall apply) or consolidates its common stock, the number of shares to be issued upon exercise of each unit of such Subscription Rights to Shares shall be adjusted according to the following formula; provided that such adjustment shall be made only to those remain unexercised or uncanceled at the time of such adjustment and; provided, further, that if any fraction less than one share arises as a result of such adjustment, such fraction shall be discarded.

$$\text{Number of Issued Shares after adjustment} = \text{Number of Issued Shares before adjustment} \times \text{Ratio of split or consolidation}$$

In addition, if the Company carries out a merger, a company split, share exchange, share transfer, etc. that makes it necessary to adjust the number of shares, the Number of Issued Shares shall be adjusted within a reasonable range, taking into account the conditions of the merger, company split, share exchange, share transfer, etc.

2 Value of the assets to be contributed upon exercise of Subscription Rights to Shares
The value of the assets to be contributed upon the exercise of one Subscription Right to Shares shall be ¥1, and the number of shares subject to the Subscription Rights to Shares (shares to be issued upon exercise of Subscription Rights to Shares) shall be 100 shares. The value of the assets to be contributed upon the exercise of each Subscription Right to Shares shall be the amount obtained by multiplying the price of each Subscription Right to Shares (¥1) by the number of subject Subscription Rights to Shares to be exercised by Directors, Executive Officers, Company Auditors and employees of the Company, the Company's subsidiaries and associates.
Provided, however, that in the event of any adjustment in the number of shares stipulated in 1 above, the number of shares subject to one Subscription Right to Shares shall be adjusted likewise.

3 Exercise period of Subscription Rights to Shares
Exercise period of Subscription Rights to Shares shall be from March 30, 2016 to March 28, 2022. If the final day of the exercise period falls on a holiday of the Company, the final day shall be the working day immediately preceding the final day.

4 Conditions for exercise of Subscription Rights to Shares
1) Those who received the allotment of the issue of Subscription Rights to Shares shall remain Directors, Executive Officers, Company Auditors or employees of the Company, or its subsidiaries or affiliates at the time of exercising such rights, provided however that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.
2) Subscription Rights to Shares shall not be inherited, provided however that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.
3) Subscription Rights to Shares shall not be offered for pledge or disposed of in any other way.

5 Matters concerning increase in capital stock and capital reserve by issuing of shares upon exercise of Subscription Rights to Shares
1) Amount of increase in capital stock by issuing shares upon exercise of Subscription Rights to Shares shall be half of the upper limit of capital increase as calculated pursuant to the provisions of Article 17, Paragraph 1 of the Ordinance on Accounting of Companies, where any resultant fraction less than one yen shall be rounded up.
2) Amount of increase in capital reserve by issuing shares upon exercise of Subscription Rights to Shares shall be the upper limit of capital stock increase as described in 1) above less the amount of increase in capital stock set out therein.

6 Reasons and conditions for the acquisition of Subscription Rights to Shares
1) In case that the proposal of any merger agreement under which the Company is dissolved, or any absorption-type company split (kyushu-bunkatsu) agreement or incorporation-type company split (shinsetsu-bunkatsu) plan in which the Company will be a splitting company, or any share exchange agreement or share transfer plan in which the Company will be a wholly owned subsidiary of another company is approved at a General Shareholders' Meeting of the Company, the Company may acquire Subscription Rights to Shares at the date specifically determined by the Board of Directors of the Company without any compensation therefor.
2) In case that Holders of Subscription Rights to Shares ceases to accommodate the conditions of 4 1) above before exercising Subscription Rights to Shares, the Company may acquire such Subscription Rights to Shares at the date specifically determined by the Board of Directors of the Company without any compensation therefor.

7 Restriction on the acquisition of Subscription Rights to Shares by transfer
Any acquisition of Subscription Rights to Shares by transfer shall require an approval of the Board of Directors of the Company by its resolution.

8 In the event the Company merges (limited to cases where the Company becomes a

dissolving company), performs an absorption-type company split or an incorporation-type company split, or conducts a share exchange or a share transfer (hereinafter collectively referred to as “Organizational Restructuring”), Subscription Rights to Shares of a corporation that survives after the merger, a corporation incorporated as a result of the merger, a corporation that succeeds, whole or part, to any rights and obligations that the Company holds in connection with its business as a result of an absorption-type company split, a corporation incorporated as a result of the incorporation-type company split, a corporation that acquires all of the issued shares of the Company effecting the share exchange, or a corporation incorporated as a result of the share transfer (hereinafter referred to as “Restructured Company”) shall be delivered under the following conditions to each those who received the allotment of the issue of Subscription Rights to Shares remaining unexercised (hereinafter referred to as “Remaining Subscription Rights to Shares”) at the time when Organizational Restructuring takes effect. In this case, the Remaining Subscription Rights to Shares will lapse and the Restructured Company will issue new Subscription Rights to Shares. However, the foregoing shall apply only to cases in which the delivery of Subscription Rights to Shares of the Restructured Company according to the following conditions is stipulated in the merger agreement, the absorption-type company split agreement, the incorporation-type company split plan, the share exchange agreement or the share transfer plan.

1) Number of Subscription Rights to Shares of the Restructured Company to be delivered
   The Restructured Company shall deliver Subscription Rights to Shares, the number of which shall equal the number of Subscription Rights to Shares held by the holder of the Remaining Subscription Rights to Shares.
2) Class of shares of the Restructured Company to be issued upon the exercise of Subscription Rights to Shares
   Shares of common stock of the Restructured Company
3) Number of shares of the Restructured Company to be issued upon the exercise of Subscription Rights to Shares
   To be decided according to 1 above after taking into consideration the conditions, etc. of the Organizational Restructuring.
4) Value of the assets to be contributed upon the exercise of Subscription Rights to Shares
   The value of the assets to be contributed upon the exercise of each Subscription Right to Shares granted shall be the amount paid per share after restructuring obtained by adjusting the Exercise Price stipulated in 2 above after taking into consideration the conditions, etc. of Organizational Restructuring multiplied by the number of shares of the Restructured Company to be issued upon the exercise of the Subscription Rights to Shares as determined in accordance with 3) above.
5) Exercise period of Subscription Rights to Shares
   Starting from the later of either the first date of the exercise period of Subscription Rights to Shares as stipulated in 3 above, or the date on which the Organizational Restructuring becomes effective and ending on the expiration date for the exercise of Subscription Rights to Shares as stipulated in 3 above.
6) Matters concerning increase in capital stock and capital reserve to be increased by issuing of shares by the Restructured Company upon the exercise of Subscription Rights to Shares
   To be determined in accordance with 5 above.
7) Restriction on acquisition of Subscription Rights to Shares by transfer
   Acquisition of Subscription Rights to Shares by transfer shall be subject to the approval of the Board of Directors of the Company under Organizational Restructuring (or by the majority decision of Directors if such company is not a company with Board of Directors).

8) Reason and conditions for acquisition of Subscription Rights to Shares

To be determined in accordance with 6 above.

9 Rules pertaining to fractions of less than one share arising from the exercise of Subscription Rights to Shares

Fractions of less than one share in the number of shares to be delivered to holders of Subscription Rights to Shares who exercised Subscription Rights to Shares shall be discarded.

Extraordinary Resolution at General Shareholders' Meeting (March 28, 2013)

	As of the end of fiscal year (December 31, 2014)		As of the end of month preceding the submission date (February 28, 2015)	
Number of Subscription Rights to Shares	11,463	120	11,463	120
Of the Subscription Rights to Shares, the number of own Subscription Rights to Shares	2,219	—	2,362	—
Class of shares to be issued upon exercise of Subscription Rights to Shares	Common stock		Same as on the left	
Number of shares to be issued upon exercise of Subscription Rights to Shares	1,146,300 (Note 1)	12,000 (Note 1)	1,146,300 (Note 1)	12,000 (Note 1)
Cash payment upon exercise of Subscription Rights to Shares	¥1 per right (Note 2)	¥1 per right (Note 2)	¥1 per right (Note 2)	¥1 per right (Note 2)
Exercise period of Subscription Rights to Shares	From March 29, 2017 to March 27, 2023 (Note 3)		Same as on the left	
Issue price for shares issued through exercise of Subscription Rights to Shares and the amount to be included in capital	Issue price: ¥1,187 Amount to be included in capital: ¥594 (Note 5)	Issue price: ¥1,575 Amount to be included in capital: ¥788 (Note 5)	Issue price: ¥1,187 Amount to be included in capital: ¥594 (Note 5)	Issue price: ¥1,575 Amount to be included in capital: ¥788 (Note 5)
Conditions for exercise of Subscription Rights to Shares	(Note 4)		(Note 4)	
Matters concerning transfer of Subscription Rights to Shares	(Note 7)		(Note 7)	
Matters concerning collateral payment	—		—	
Matters concerning issuance of Subscription Rights to Shares accompanying organizational restructuring	(Note 8)		(Note 8)	

(Notes) 1 Class and number of shares to be issued upon exercise of Subscription Rights to Shares (hereinafter referred to as "Issued Shares")

100 shares shall be issued for each Subscription Right to Shares. (The number of shares for each Subscription Right to Shares shall be hereinafter referred to as "Number of Shares.")

If the Company splits its common stock (including allotment of its common stock without compensation; hereinafter the same shall apply) or consolidates its common stock, the number of shares to be issued upon exercise of each unit of such Subscription Rights to Shares shall be adjusted according to the following formula; provided that such adjustment shall be made only to those remain unexercised or uncanceled at the time of such adjustment and; provided, further, that if any fraction less than one share arises as a result of such adjustment, such fraction shall be discarded.

$$\text{Number of Issued Shares after adjustment} = \text{Number of Issued Shares before adjustment} \times \text{Ratio of split or consolidation}$$

In addition, if the Company carries out a merger, a company split, share exchange, share transfer, etc. that makes it necessary to adjust the number of shares, the Number of Issued Shares shall be adjusted within a reasonable range, taking into account the conditions of the merger, company split, share exchange, share transfer, etc.

2 Value of the assets to be contributed upon exercise of Subscription Rights to Shares
The value of the assets to be contributed upon the exercise of one Subscription Right to Shares shall be ¥1, and the number of shares subject to the Subscription Rights to Shares (shares to be issued upon exercise of Subscription Rights to Shares) shall be 100 shares. The value of the assets to be contributed upon the exercise of each Subscription Right to Shares shall be the amount obtained by multiplying the price of each Subscription Right to Shares (¥1) by the number of subject Subscription Rights to Shares to be exercised by Directors, Executive Officers, Company Auditors and employees of the Company, the Company's subsidiaries and associates.
Provided, however, that in the event of any adjustment in the number of shares stipulated in 1 above, the number of shares subject to one Subscription Right to Shares shall be adjusted likewise.

3 Exercise period of Subscription Rights to Shares
Exercise period of Subscription Rights to Shares shall be from March 29, 2017 to March 27, 2023. If the final day of the exercise period falls on a holiday of the Company, the final day shall be the working day immediately preceding the final day.

4 Conditions for exercise of Subscription Rights to Shares
1) Those who received the allotment of the issue of Subscription Rights to Shares shall remain Directors, Executive Officers, Company Auditors or employees of the Company, or its subsidiaries or affiliates at the time of exercising such rights, provided however that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.
2) Subscription Rights to Shares shall not be inherited, provided however that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.
3) Subscription Rights to Shares shall not be offered for pledge or disposed of in any other way.

5 Matters concerning increase in capital stock and capital reserve by issuing of shares upon exercise of Subscription Rights to Shares
1) Amount of increase in capital stock by issuing shares upon exercise of Subscription Rights to Shares shall be half of the upper limit of capital increase as calculated pursuant to the provisions of Article 17, Paragraph 1 of the Ordinance on Accounting of Companies, where any resultant fraction less than one yen shall be rounded up.
2) Amount of increase in capital reserve by issuing shares upon exercise of Subscription Rights to Shares shall be the upper limit of capital stock increase as described in 1) above less the amount of increase in capital stock set out therein.

6 Reasons and conditions for the acquisition of Subscription Rights to Shares
1) In case that the proposal of any merger agreement under which the Company is dissolved, or any absorption-type company split (kyushu-bunkatsu) agreement or incorporation-type company split (shinsetsu-bunkatsu) plan in which the Company will be a splitting company, or any share exchange agreement or share transfer plan in which the Company will be a wholly owned subsidiary of another company is approved at a General Shareholders' Meeting of the Company, the Company may acquire Subscription Rights to Shares at the date specifically determined by the Board of Directors of the Company without any compensation therefor.
2) In case that Holders of Subscription Rights to Shares ceases to accommodate the conditions of 4 1) above before exercising Subscription Rights to Shares, the Company may acquire such Subscription Rights to Shares at the date specifically determined by the Board of Directors of the Company without any compensation therefor.

7 Restriction on the acquisition of Subscription Rights to Shares by transfer
Any acquisition of Subscription Rights to Shares by transfer shall require an approval of the Board of Directors of the Company by its resolution.

8 In the event the Company merges (limited to cases where the Company becomes a

dissolving company), performs an absorption-type company split or an incorporation-type company split, or conducts a share exchange or a share transfer (hereinafter collectively referred to as “Organizational Restructuring”), Subscription Rights to Shares of a corporation that survives after the merger, a corporation incorporated as a result of the merger, a corporation that succeeds, whole or part, to any rights and obligations that the Company holds in connection with its business as a result of an absorption-type company split, a corporation incorporated as a result of the incorporation-type company split, a corporation that acquires all of the issued shares of the Company effecting the share exchange, or a corporation incorporated as a result of the share transfer (hereinafter referred to as “Restructured Company”) shall be delivered under the following conditions to each those who received the allotment of the issue of Subscription Rights to Shares remaining unexercised (hereinafter referred to as “Remaining Subscription Rights to Shares”) at the time when Organizational Restructuring takes effect. In this case, the Remaining Subscription Rights to Shares will lapse and the Restructured Company will issue new Subscription Rights to Shares. However, the foregoing shall apply only to cases in which the delivery of Subscription Rights to Shares of the Restructured Company according to the following conditions is stipulated in the merger agreement, the absorption-type company split agreement, the incorporation-type company split plan, the share exchange agreement or the share transfer plan.

1) Number of Subscription Rights to Shares of the Restructured Company to be delivered
   The Restructured Company shall deliver Subscription Rights to Shares, the number of which shall equal the number of Subscription Rights to Shares held by the holder of the Remaining Subscription Rights to Shares.
2) Class of shares of the Restructured Company to be issued upon the exercise of Subscription Rights to Shares
   Shares of common stock of the Restructured Company
3) Number of shares of the Restructured Company to be issued upon the exercise of Subscription Rights to Shares
   To be decided according to 1 above after taking into consideration the conditions, etc. of the Organizational Restructuring.
4) Value of the assets to be contributed upon the exercise of Subscription Rights to Shares
   The value of the assets to be contributed upon the exercise of each Subscription Right to Shares granted shall be the amount paid per share after restructuring obtained by adjusting the Exercise Price stipulated in 2 above after taking into consideration the conditions, etc. of Organizational Restructuring multiplied by the number of shares of the Restructured Company to be issued upon the exercise of the Subscription Rights to Shares as determined in accordance with 3) above.
5) Exercise period of Subscription Rights to Shares
   Starting from the later of either the first date of the exercise period of Subscription Rights to Shares as stipulated in 3 above, or the date on which the Organizational Restructuring becomes effective and ending on the expiration date for the exercise of Subscription Rights to Shares as stipulated in 3 above.
6) Matters concerning increase in capital stock and capital reserve to be increased by issuing of shares by the Restructured Company upon the exercise of Subscription Rights to Shares
   To be determined in accordance with 5 above.
7) Restriction on acquisition of Subscription Rights to Shares by transfer
   Acquisition of Subscription Rights to Shares by transfer shall be subject to the approval of the Board of Directors of the Company under Organizational Restructuring (or by the majority decision of Directors if such company is not a company with Board of Directors).
8) Reason and conditions for acquisition of Subscription Rights to Shares

To be determined in accordance with 6 above.

9 Rules pertaining to fractions of less than one share arising from the exercise of Subscription Rights to Shares

Fractions of less than one share in the number of shares to be delivered to holders of Subscription Rights to Shares who exercised Subscription Rights to Shares shall be discarded.

Extraordinary Resolution at General Shareholders' Meeting (March 28, 2013)

	As of the end of fiscal year (December 31, 2014)		As of the end of month preceding the submission date (February 28, 2015)	
Number of Subscription Rights to Shares	8,395	3,876	8,395	3,876
Of the Subscription Rights to Shares, the number of own Subscription Rights to Shares	860	334	1,023	341
Class of shares to be issued upon exercise of Subscription Rights to Shares	Common stock		Same as on the left	
Number of shares to be issued upon exercise of Subscription Rights to Shares	839,500 (Note 1)	387,600 (Note 1)	839,500 (Note 1)	387,600 (Note 1)
Cash payment upon exercise of Subscription Rights to Shares	¥1 per right (Note 2)	¥1 per right (Note 2)	¥1 per right (Note 2)	¥1 per right (Note 2)
Exercise period of Subscription Rights to Shares	From March 29, 2017 to March 27, 2023 (Note 3)		Same as on the left	
Issue price for shares issued through exercise of Subscription Rights to Shares and the amount to be included in capital	Issue price: ¥1,675 Amount to be included in capital: ¥838 (Note 5)	Issue price: ¥1,450 Amount to be included in capital: ¥725 (Note 5)	Issue price: ¥1,675 Amount to be included in capital: ¥838 (Note 5)	Issue price: ¥1,450 Amount to be included in capital: ¥725 (Note 5)
Conditions for exercise of Subscription Rights to Shares	(Note 4)		(Note 4)	
Matters concerning transfer of Subscription Rights to Shares	(Note 7)		(Note 7)	
Matters concerning collateral payment	—		—	
Matters concerning issuance of Subscription Rights to Shares accompanying organizational restructuring	(Note 8)		(Note 8)	

(Notes) 1 Class and number of shares to be issued upon exercise of Subscription Rights to Shares (hereinafter referred to as "Issued Shares")

100 shares shall be issued for each Subscription Right to Shares. (The number of shares for each Subscription Right to Shares shall be hereinafter referred to as "Number of Shares.")

If the Company splits its common stock (including allotment of its common stock without compensation; hereinafter the same shall apply) or consolidates its common stock, the number of shares to be issued upon exercise of each unit of such Subscription Rights to Shares shall be adjusted according to the following formula; provided that such adjustment shall be made only to those remain unexercised or uncanceled at the time of such adjustment and; provided, further, that if any fraction less than one share arises as a result of such adjustment, such fraction shall be discarded.

$$\text{Number of Issued Shares after adjustment} = \text{Number of Issued Shares before adjustment} \times \text{Ratio of split or consolidation}$$

In addition, if the Company carries out a merger, a company split, share exchange, share transfer, etc. that makes it necessary to adjust the number of shares, the Number of Issued Shares shall be adjusted within a reasonable range, taking into account the conditions of the merger, company split, share exchange, share transfer, etc.

2 Value of the assets to be contributed upon exercise of Subscription Rights to Shares
The value of the assets to be contributed upon the exercise of one Subscription Right to Shares shall be ¥1, and the number of shares subject to the Subscription Rights to Shares (shares to be issued upon exercise of Subscription Rights to Shares) shall be 100 shares. The value of the assets to be contributed upon the exercise of each Subscription Right to Shares shall be the amount obtained by multiplying the price of each Subscription Right to Shares (¥1) by the number of subject Subscription Rights to Shares to be exercised by Directors, Executive Officers, Company Auditors and employees of the Company, the Company's subsidiaries and associates.
Provided, however, that in the event of any adjustment in the number of shares stipulated in 1 above, the number of shares subject to one Subscription Right to Shares shall be adjusted likewise.

3 Exercise period of Subscription Rights to Shares
Exercise period of Subscription Rights to Shares shall be from March 29, 2017 to March 27, 2023. If the final day of the exercise period falls on a holiday of the Company, the final day shall be the working day immediately preceding the final day.

4 Conditions for exercise of Subscription Rights to Shares
1) Those who received the allotment of the issue of Subscription Rights to Shares shall remain Directors, Executive Officers, Company Auditors or employees of the Company, or its subsidiaries or affiliates at the time of exercising such rights, provided however that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.
2) Subscription Rights to Shares shall not be inherited, provided however that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.
3) Subscription Rights to Shares shall not be offered for pledge or disposed of in any other way.

5 Matters concerning increase in capital stock and capital reserve by issuing of shares upon exercise of Subscription Rights to Shares
1) Amount of increase in capital stock by issuing shares upon exercise of Subscription Rights to Shares shall be half of the upper limit of capital increase as calculated pursuant to the provisions of Article 17, Paragraph 1 of the Ordinance on Accounting of Companies, where any resultant fraction less than one yen shall be rounded up.
2) Amount of increase in capital reserve by issuing shares upon exercise of Subscription Rights to Shares shall be the upper limit of capital stock increase as described in 1) above less the amount of increase in capital stock set out therein.

6 Reasons and conditions for the acquisition of Subscription Rights to Shares
1) In case that the proposal of any merger agreement under which the Company is dissolved, or any absorption-type company split (kyushu-bunkatsu) agreement or incorporation-type company split (shinsetsu-bunkatsu) plan in which the Company will be a splitting company, or any share exchange agreement or share transfer plan in which the Company will be a wholly owned subsidiary of another company is approved at a General Shareholders' Meeting of the Company, the Company may acquire Subscription Rights to Shares at the date specifically determined by the Board of Directors of the Company without any compensation therefor.
2) In case that Holders of Subscription Rights to Shares ceases to accommodate the conditions of 4 1) above before exercising Subscription Rights to Shares, the Company may acquire such Subscription Rights to Shares at the date specifically determined by the Board of Directors of the Company without any compensation therefor.

7 Restriction on the acquisition of Subscription Rights to Shares by transfer
Any acquisition of Subscription Rights to Shares by transfer shall require an approval of the Board of Directors of the Company by its resolution.

8 In the event the Company merges (limited to cases where the Company becomes a

dissolving company), performs an absorption-type company split or an incorporation-type company split, or conducts a share exchange or a share transfer (hereinafter collectively referred to as “Organizational Restructuring”), Subscription Rights to Shares of a corporation that survives after the merger, a corporation incorporated as a result of the merger, a corporation that succeeds, whole or part, to any rights and obligations that the Company holds in connection with its business as a result of an absorption-type company split, a corporation incorporated as a result of the incorporation-type company split, a corporation that acquires all of the issued shares of the Company effecting the share exchange, or a corporation incorporated as a result of the share transfer (hereinafter referred to as “Restructured Company”) shall be delivered under the following conditions to each those who received the allotment of the issue of Subscription Rights to Shares remaining unexercised (hereinafter referred to as “Remaining Subscription Rights to Shares”) at the time when Organizational Restructuring takes effect. In this case, the Remaining Subscription Rights to Shares will lapse and the Restructured Company will issue new Subscription Rights to Shares. However, the foregoing shall apply only to cases in which the delivery of Subscription Rights to Shares of the Restructured Company according to the following conditions is stipulated in the merger agreement, the absorption-type company split agreement, the incorporation-type company split plan, the share exchange agreement or the share transfer plan.

1) Number of Subscription Rights to Shares of the Restructured Company to be delivered
   The Restructured Company shall deliver Subscription Rights to Shares, the number of which shall equal the number of Subscription Rights to Shares held by the holder of the Remaining Subscription Rights to Shares.
2) Class of shares of the Restructured Company to be issued upon the exercise of Subscription Rights to Shares
   Shares of common stock of the Restructured Company
3) Number of shares of the Restructured Company to be issued upon the exercise of Subscription Rights to Shares
   To be decided according to 1 above after taking into consideration the conditions, etc. of the Organizational Restructuring.
4) Value of the assets to be contributed upon the exercise of Subscription Rights to Shares
   The value of the assets to be contributed upon the exercise of each Subscription Right to Shares granted shall be the amount paid per share after restructuring obtained by adjusting the Exercise Price stipulated in 2 above after taking into consideration the conditions, etc. of Organizational Restructuring multiplied by the number of shares of the Restructured Company to be issued upon the exercise of the Subscription Rights to Shares as determined in accordance with 3) above.
5) Exercise period of Subscription Rights to Shares
   Starting from the later of either the first date of the exercise period of Subscription Rights to Shares as stipulated in 3 above, or the date on which the Organizational Restructuring becomes effective and ending on the expiration date for the exercise of Subscription Rights to Shares as stipulated in 3 above.
6) Matters concerning increase in capital stock and capital reserve to be increased by issuing of shares by the Restructured Company upon the exercise of Subscription Rights to Shares
   To be determined in accordance with 5 above.
7) Restriction on acquisition of Subscription Rights to Shares by transfer
   Acquisition of Subscription Rights to Shares by transfer shall be subject to the approval of the Board of Directors of the Company under Organizational Restructuring (or by the majority decision of Directors if such company is not a company with Board of Directors).
8) Reason and conditions for acquisition of Subscription Rights to Shares

To be determined in accordance with 6 above.

9 Rules pertaining to fractions of less than one share arising from the exercise of Subscription Rights to Shares

Fractions of less than one share in the number of shares to be delivered to holders of Subscription Rights to Shares who exercised Subscription Rights to Shares shall be discarded.

Extraordinary Resolution at General Shareholders' Meeting (March 28, 2013)

	As of the end of fiscal year (December 31, 2014)	As of the end of month preceding the submission date (February 28, 2015)
Number of Subscription Rights to Shares	4,090	4,090
Of the Subscription Rights to Shares, the number of own Subscription Rights to Shares	110	110
Class of shares to be issued upon exercise of Subscription Rights to Shares	Common stock	Same as on the left
Number of shares to be issued upon exercise of Subscription Rights to Shares	409,000 (Note 1)	409,000 (Note 1)
Cash payment upon exercise of Subscription Rights to Shares	¥1 per right (Note 2)	¥1 per right (Note 2)
Exercise period of Subscription Rights to Shares	From March 29, 2017 to March 27, 2023 (Note 3)	Same as on the left
Issue price for shares issued through exercise of Subscription Rights to Shares and the amount to be included in capital	Issue price: ¥1,307 Amount to be included in capital: ¥654 (Note 5)	Issue price: ¥1,307 Amount to be included in capital: ¥654 (Note 5)
Conditions for exercise of Subscription Rights to Shares	(Note 4)	(Note 4)
Matters concerning transfer of Subscription Rights to Shares	(Note 7)	(Note 7)
Matters concerning collateral payment	—	—
Matters concerning issuance of Subscription Rights to Shares accompanying organizational restructuring	(Note 8)	(Note 8)

(Notes) 1 Class and number of shares to be issued upon exercise of Subscription Rights to Shares (hereinafter referred to as "Issued Shares")

100 shares shall be issued for each Subscription Right to Shares. (The number of shares for each Subscription Right to Shares shall be hereinafter referred to as "Number of Shares.")

If the Company splits its common stock (including allotment of its common stock without compensation; hereinafter the same shall apply) or consolidates its common stock, the number of shares to be issued upon exercise of each unit of such Subscription Rights to Shares shall be adjusted according to the following formula; provided that such adjustment shall be made only to those remain unexercised or uncanceled at the time of such adjustment and; provided, further, that if any fraction less than one share arises as a result of such adjustment, such fraction shall be discarded.

$$\text{Number of Issued Shares after adjustment} = \text{Number of Issued Shares before adjustment} \times \text{Ratio of split or consolidation}$$

In addition, if the Company carries out a merger, a company split, share exchange, share transfer, etc. that makes it necessary to adjust the number of shares, the Number of Issued Shares shall be adjusted within a reasonable range, taking into account the conditions of the merger, company split, share exchange, share transfer, etc.

2 Value of the assets to be contributed upon exercise of Subscription Rights to Shares
The value of the assets to be contributed upon the exercise of one Subscription Right to Shares shall be ¥1, and the number of shares subject to the Subscription Rights to Shares (shares to be issued upon exercise of Subscription Rights to Shares) shall be 100 shares. The value of the assets to be contributed upon the exercise of each Subscription Right to Shares shall be the amount obtained by multiplying the price of each Subscription Right to Shares (¥1) by the number of subject Subscription Rights to Shares to be exercised by Directors, Executive Officers, Company Auditors and employees of the Company, the Company's subsidiaries and associates.
Provided, however, that in the event of any adjustment in the number of shares stipulated in 1 above, the number of shares subject to one Subscription Right to Shares shall be adjusted likewise.

3 Exercise period of Subscription Rights to Shares
Exercise period of Subscription Rights to Shares shall be from March 29, 2017 to March 27, 2023. If the final day of the exercise period falls on a holiday of the Company, the final day shall be the working day immediately preceding the final day.

4 Conditions for exercise of Subscription Rights to Shares
1) Those who received the allotment of the issue of Subscription Rights to Shares shall remain Directors, Executive Officers, Company Auditors or employees of the Company, or its subsidiaries or affiliates at the time of exercising such rights, provided however that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.
2) Subscription Rights to Shares shall not be inherited, provided however that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.
3) Subscription Rights to Shares shall not be offered for pledge or disposed of in any other way.

5 Matters concerning increase in capital stock and capital reserve by issuing of shares upon exercise of Subscription Rights to Shares
1) Amount of increase in capital stock by issuing shares upon exercise of Subscription Rights to Shares shall be half of the upper limit of capital increase as calculated pursuant to the provisions of Article 17, Paragraph 1 of the Ordinance on Accounting of Companies, where any resultant fraction less than one yen shall be rounded up.
2) Amount of increase in capital reserve by issuing shares upon exercise of Subscription Rights to Shares shall be the upper limit of capital stock increase as described in 1) above less the amount of increase in capital stock set out therein.

6 Reasons and conditions for the acquisition of Subscription Rights to Shares
1) In case that the proposal of any merger agreement under which the Company is dissolved, or any absorption-type company split (kyushu-bunkatsu) agreement or incorporation-type company split (shinsetsu-bunkatsu) plan in which the Company will be a splitting company, or any share exchange agreement or share transfer plan in which the Company will be a wholly owned subsidiary of another company is approved at a General Shareholders' Meeting of the Company, the Company may acquire Subscription Rights to Shares at the date specifically determined by the Board of Directors of the Company without any compensation therefor.
2) In case that Holders of Subscription Rights to Shares ceases to accommodate the conditions of 4 1) above before exercising Subscription Rights to Shares, the Company may acquire such Subscription Rights to Shares at the date specifically determined by the Board of Directors of the Company without any compensation therefor.

7 Restriction on the acquisition of Subscription Rights to Shares by transfer
Any acquisition of Subscription Rights to Shares by transfer shall require an approval of the Board of Directors of the Company by its resolution.

8 In the event the Company merges (limited to cases where the Company becomes a

dissolving company), performs an absorption-type company split or an incorporation-type company split, or conducts a share exchange or a share transfer (hereinafter collectively referred to as “Organizational Restructuring”), Subscription Rights to Shares of a corporation that survives after the merger, a corporation incorporated as a result of the merger, a corporation that succeeds, whole or part, to any rights and obligations that the Company holds in connection with its business as a result of an absorption-type company split, a corporation incorporated as a result of the incorporation-type company split, a corporation that acquires all of the issued shares of the Company effecting the share exchange, or a corporation incorporated as a result of the share transfer (hereinafter referred to as “Restructured Company”) shall be delivered under the following conditions to each those who received the allotment of the issue of Subscription Rights to Shares remaining unexercised (hereinafter referred to as “Remaining Subscription Rights to Shares”) at the time when Organizational Restructuring takes effect. In this case, the Remaining Subscription Rights to Shares will lapse and the Restructured Company will issue new Subscription Rights to Shares. However, the foregoing shall apply only to cases in which the delivery of Subscription Rights to Shares of the Restructured Company according to the following conditions is stipulated in the merger agreement, the absorption-type company split agreement, the incorporation-type company split plan, the share exchange agreement or the share transfer plan.

1) Number of Subscription Rights to Shares of the Restructured Company to be delivered
   The Restructured Company shall deliver Subscription Rights to Shares, the number of which shall equal the number of Subscription Rights to Shares held by the holder of the Remaining Subscription Rights to Shares.
2) Class of shares of the Restructured Company to be issued upon the exercise of Subscription Rights to Shares
   Shares of common stock of the Restructured Company
3) Number of shares of the Restructured Company to be issued upon the exercise of Subscription Rights to Shares
   To be decided according to 1 above after taking into consideration the conditions, etc. of the Organizational Restructuring.
4) Value of the assets to be contributed upon the exercise of Subscription Rights to Shares
   The value of the assets to be contributed upon the exercise of each Subscription Right to Shares granted shall be the amount paid per share after restructuring obtained by adjusting the Exercise Price stipulated in 2 above after taking into consideration the conditions, etc. of Organizational Restructuring multiplied by the number of shares of the Restructured Company to be issued upon the exercise of the Subscription Rights to Shares as determined in accordance with 3) above.
5) Exercise period of Subscription Rights to Shares
   Starting from the later of either the first date of the exercise period of Subscription Rights to Shares as stipulated in 3 above, or the date on which the Organizational Restructuring becomes effective and ending on the expiration date for the exercise of Subscription Rights to Shares as stipulated in 3 above.
6) Matters concerning increase in capital stock and capital reserve to be increased by issuing of shares by the Restructured Company upon the exercise of Subscription Rights to Shares
   To be determined in accordance with 5 above.
7) Restriction on acquisition of Subscription Rights to Shares by transfer
   Acquisition of Subscription Rights to Shares by transfer shall be subject to the approval of the Board of Directors of the Company under Organizational Restructuring (or by the majority decision of Directors if such company is not a company with Board of Directors).
8) Reason and conditions for acquisition of Subscription Rights to Shares

To be determined in accordance with 6 above.

9 Rules pertaining to fractions of less than one share arising from the exercise of Subscription Rights to Shares

Fractions of less than one share in the number of shares to be delivered to holders of Subscription Rights to Shares who exercised Subscription Rights to Shares shall be discarded.

Extraordinary Resolution at General Shareholders' Meeting (March 28, 2014)

	As of the end of fiscal year (December 31, 2014)		As of the end of month preceding the submission date (February 28, 2015)	
Number of Subscription Rights to Shares	2,810	10,217	2,810	10,217
Of the Subscription Rights to Shares, the number of own Subscription Rights to Shares	—	570	—	733
Class of shares to be issued upon exercise of Subscription Rights to Shares	Common stock		Same as on the left	
Number of shares to be issued upon exercise of Subscription Rights to Shares	281,000 (Note 1)	1,021,700 (Note 1)	281,000 (Note 1)	1,021,700 (Note 1)
Cash payment upon exercise of Subscription Rights to Shares	¥1 per right (Note 2)	¥1 per right (Note 2)	¥1 per right (Note 2)	¥1 per right (Note 2)
Exercise period of Subscription Rights to Shares	From March 29, 2018 to March 27, 2024 (Note 3)		Same as on the left	
Issue price for shares issued through exercise of Subscription Rights to Shares and the amount to be included in capital	Issue price: ¥1,336 Amount to be included in capital: ¥668 (Note 5)	Issue price: ¥1,331 Amount to be included in capital: ¥666 (Note 5)	Issue price: ¥1,336 Amount to be included in capital: ¥668 (Note 5)	Issue price: ¥1,331 Amount to be included in capital: ¥666 (Note 5)
Conditions for exercise of Subscription Rights to Shares	(Note 4)		(Note 4)	
Matters concerning transfer of Subscription Rights to Shares	(Note 7)		(Note 7)	
Matters concerning collateral payment	—		—	
Matters concerning issuance of Subscription Rights to Shares accompanying organizational restructuring	(Note 8)		(Note 8)	

(Notes) 1 Class and number of shares to be issued upon exercise of Subscription Rights to Shares (hereinafter referred to as "Issued Shares")

100 shares shall be issued for each Subscription Right to Shares. (The number of shares for each Subscription Right to Shares shall be hereinafter referred to as "Number of Shares.")

If the Company splits its common stock (including allotment of its common stock without compensation; hereinafter the same shall apply) or consolidates its common stock, the number of shares to be issued upon exercise of each unit of such Subscription Rights to Shares shall be adjusted according to the following formula; provided that such adjustment shall be made only to those remain unexercised or uncanceled at the time of such adjustment and; provided, further, that if any fraction less than one share arises as a result of such adjustment, such fraction shall be discarded.

$$\text{Number of Issued Shares after adjustment} = \text{Number of Issued Shares before adjustment} \times \text{Ratio of split or consolidation}$$

In addition, if the Company carries out a merger, a company split, share exchange, share transfer, etc. that makes it necessary to adjust the number of shares, the Number of Issued Shares shall be adjusted within a reasonable range, taking into account the conditions of the merger, company split, share exchange, share transfer, etc.

2 Value of the assets to be contributed upon exercise of Subscription Rights to Shares
The value of the assets to be contributed upon the exercise of one Subscription Right to Shares shall be ¥1, and the number of shares subject to the Subscription Rights to Shares (shares to be issued upon exercise of Subscription Rights to Shares) shall be 100 shares. The value of the assets to be contributed upon the exercise of each Subscription Right to Shares shall be the amount obtained by multiplying the price of each Subscription Right to Shares (¥1) by the number of subject Subscription Rights to Shares to be exercised by Directors, Executive Officers, Company Auditors and employees of the Company, the Company's subsidiaries and associates.
Provided, however, that in the event of any adjustment in the number of shares stipulated in 1 above, the number of shares subject to one Subscription Right to Shares shall be adjusted likewise.

3 Exercise period of Subscription Rights to Shares
Exercise period of Subscription Rights to Shares shall be from March 29, 2018 to March 27, 2024. If the final day of the exercise period falls on a holiday of the Company, the final day shall be the working day immediately preceding the final day.

4 Conditions for exercise of Subscription Rights to Shares
1) Those who received the allotment of the issue of Subscription Rights to Shares shall remain Directors, Executive Officers, Company Auditors or employees of the Company, or its subsidiaries or affiliates at the time of exercising such rights, provided however that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.
2) Subscription Rights to Shares shall not be inherited, provided however that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.
3) Subscription Rights to Shares shall not be offered for pledge or disposed of in any other way.
4) The Holders of Subscription Rights to Shares have duties to pay all taxes (including but not limited to income tax, social security contributions, pensions, and employment insurance premium) specified by laws and regulations in relation to Stock options and shares. In the case where the Company and its subsidiaries and affiliates is obliged to levy income tax, etc., the relevant company obliged to levy income tax, etc. shall be able to levy tax from such Holders of Subscription Rights to Shares by the methods listed below.
   i) Receipt by Cash
   ii) Appropriation of shares owned by the Holders of Subscription Rights to Shares
   iii) Deduction from salaries, bonuses, etc. of the Holders of Subscription Rights to Shares
   iv) Other methods specified by the Company

5 Matters concerning increase in capital stock and capital reserve by issuing of shares upon exercise of Subscription Rights to Shares
1) Amount of increase in capital stock by issuing shares upon exercise of Subscription Rights to Shares shall be half of the upper limit of capital increase as calculated pursuant to the provisions of Article 17, Paragraph 1 of the Ordinance on Accounting of Companies, where any resultant fraction less than one yen shall be rounded up.
2) Amount of increase in capital reserve by issuing shares upon exercise of Subscription Rights to Shares shall be the upper limit of capital stock increase as described in 1) above less the amount of increase in capital stock set out therein.

6 Reasons and conditions for the acquisition of Subscription Rights to Shares
1) In case that the proposal of any merger agreement under which the Company is dissolved, or any absorption-type company split (kyushu-bunkatsu) agreement or incorporation-type company split (shinsetsu-bunkatsu) plan in which the Company will be a splitting company, or any share exchange agreement or share transfer plan in

which the Company will be a wholly owned subsidiary of another company is approved at a General Shareholders' Meeting of the Company, the Company may acquire Subscription Rights to Shares at the date specifically determined by the Board of Directors of the Company without any compensation therefor.

2) In case that Holders of Subscription Rights to Shares ceases to accommodate the conditions of 4 1) above before exercising Subscription Rights to Shares, the Company may acquire such Subscription Rights to Shares at the date specifically determined by the Board of Directors of the Company without any compensation therefor.

7 Restriction on the acquisition of Subscription Rights to Shares by transfer

Any acquisition of Subscription Rights to Shares by transfer shall require an approval of the Board of Directors of the Company by its resolution.

8 In the event the Company merges (limited to cases where the Company becomes a dissolving company), performs an absorption-type company split or an incorporation-type company split, or conducts a share exchange or a share transfer (hereinafter collectively referred to as "Organizational Restructuring"), Subscription Rights to Shares of a corporation that survives after the merger, a corporation incorporated as a result of the merger, a corporation that succeeds, whole or part, to any rights and obligations that the Company holds in connection with its business as a result of an absorption-type company split, a corporation incorporated as a result of the incorporation-type company split, a corporation that acquires all of the issued shares of the Company effecting the share exchange, or a corporation incorporated as a result of the share transfer (hereinafter referred to as "Restructured Company") shall be delivered under the following conditions to each those who received the allotment of the issue of Subscription Rights to Shares remaining unexercised (hereinafter referred to as "Remaining Subscription Rights to Shares") at the time when Organizational Restructuring takes effect. In this case, the Remaining Subscription Rights to Shares will lapse and the Restructured Company will issue new Subscription Rights to Shares. However, the foregoing shall apply only to cases in which the delivery of Subscription Rights to Shares of the Restructured Company according to the following conditions is stipulated in the merger agreement, the absorption-type company split agreement, the incorporation-type company split plan, the share exchange agreement or the share transfer plan.

1) Number of Subscription Rights to Shares of the Restructured Company to be delivered

The Restructured Company shall deliver Subscription Rights to Shares, the number of which shall equal the number of Subscription Rights to Shares held by the holder of the Remaining Subscription Rights to Shares.

2) Class of shares of the Restructured Company to be issued upon the exercise of Subscription Rights to Shares

Shares of common stock of the Restructured Company

3) Number of shares of the Restructured Company to be issued upon the exercise of Subscription Rights to Shares

To be decided according to 1 above after taking into consideration the conditions, etc. of the Organizational Restructuring.

4) Value of the assets to be contributed upon the exercise of Subscription Rights to Shares

The value of the assets to be contributed upon the exercise of each Subscription Right to Shares granted shall be the amount paid per share after restructuring obtained by adjusting the Exercise Price stipulated in 2 above after taking into consideration the conditions, etc. of Organizational Restructuring multiplied by the number of shares of the Restructured Company to be issued upon the exercise of the Subscription Rights to Shares as determined in accordance with 3) above.

5) Exercise period of Subscription Rights to Shares

Starting from the later of either the first date of the exercise period of Subscription Rights to Shares as stipulated in 3 above, or the date on which the Organizational

Restructuring becomes effective and ending on the expiration date for the exercise of Subscription Rights to Shares as stipulated in 3 above.

6) Matters concerning increase in capital stock and capital reserve to be increased by issuing of shares by the Restructured Company upon the exercise of Subscription Rights to Shares

   To be determined in accordance with 5 above.

7) Restriction on acquisition of Subscription Rights to Shares by transfer

   Acquisition of Subscription Rights to Shares by transfer shall be subject to the approval of the Board of Directors of the Company under Organizational Restructuring (or by the majority decision of Directors if such company is not a company with Board of Directors).

8) Reason and conditions for acquisition of Subscription Rights to Shares

   To be determined in accordance with 6 above.

9 Rules pertaining to fractions of less than one share arising from the exercise of Subscription Rights to Shares

Fractions of less than one share in the number of shares to be delivered to holders of Subscription Rights to Shares who exercised Subscription Rights to Shares shall be discarded.

Extraordinary Resolution at General Shareholders' Meeting (March 28, 2014)

	As of the end of fiscal year (December 31, 2014)		As of the end of month preceding the submission date (February 28, 2015)	
Number of Subscription Rights to Shares	5,238	1,444	5,238	1,444
Of the Subscription Rights to Shares, the number of own Subscription Rights to Shares	99	—	462	—
Class of shares to be issued upon exercise of Subscription Rights to Shares	Common stock		Same as on the left	
Number of shares to be issued upon exercise of Subscription Rights to Shares	523,800 (Note 1)	144,400 (Note 1)	523,800 (Note 1)	144,400 (Note 1)
Cash payment upon exercise of Subscription Rights to Shares	¥1 per right (Note 2)	¥1 per right (Note 2)	¥1 per right (Note 2)	¥1 per right (Note 2)
Exercise period of Subscription Rights to Shares	From March 29, 2018 to March 27, 2024 (Note 3)		Same as on the left	
Issue price for shares issued through exercise of Subscription Rights to Shares and the amount to be included in capital	Issue price: ¥1,320 Amount to be included in capital: ¥660 (Note 5)	Issue price: ¥1,201 Amount to be included in capital: ¥601 (Note 5)	Issue price: ¥1,320 Amount to be included in capital: ¥660 (Note 5)	Issue price: ¥1,201 Amount to be included in capital: ¥601 (Note 5)
Conditions for exercise of Subscription Rights to Shares	(Note 4)		(Note 4)	
Matters concerning transfer of Subscription Rights to Shares	(Note 7)		(Note 7)	
Matters concerning collateral payment	—		—	
Matters concerning issuance of Subscription Rights to Shares accompanying organizational restructuring	(Note 8)		(Note 8)	

(Notes) 1 Class and number of shares to be issued upon exercise of Subscription Rights to Shares (hereinafter referred to as "Issued Shares")

100 shares shall be issued for each Subscription Right to Shares. (The number of shares for each Subscription Right to Shares shall be hereinafter referred to as "Number of Shares.")

If the Company splits its common stock (including allotment of its common stock without compensation; hereinafter the same shall apply) or consolidates its common stock, the number of shares to be issued upon exercise of each unit of such Subscription Rights to Shares shall be adjusted according to the following formula; provided that such adjustment shall be made only to those remain unexercised or uncanceled at the time of such adjustment and; provided, further, that if any fraction less than one share arises as a result of such adjustment, such fraction shall be discarded.

$$\text{Number of Issued Shares after adjustment} = \text{Number of Issued Shares before adjustment} \times \text{Ratio of split or consolidation}$$

In addition, if the Company carries out a merger, a company split, share exchange, share transfer, etc. that makes it necessary to adjust the number of shares, the Number of Issued Shares shall be adjusted within a reasonable range, taking into account the conditions of the merger, company split, share exchange, share transfer, etc.

2 Value of the assets to be contributed upon exercise of Subscription Rights to Shares
The value of the assets to be contributed upon the exercise of one Subscription Right to Shares shall be ¥1, and the number of shares subject to the Subscription Rights to Shares (shares to be issued upon exercise of Subscription Rights to Shares) shall be 100 shares. The value of the assets to be contributed upon the exercise of each Subscription Right to Shares shall be the amount obtained by multiplying the price of each Subscription Right to Shares (¥1) by the number of subject Subscription Rights to Shares to be exercised by Directors, Executive Officers, Company Auditors and employees of the Company, the Company's subsidiaries and associates.
Provided, however, that in the event of any adjustment in the number of shares stipulated in 1 above, the number of shares subject to one Subscription Right to Shares shall be adjusted likewise.

3 Exercise period of Subscription Rights to Shares
Exercise period of Subscription Rights to Shares shall be from March 29, 2018 to March 27, 2024. If the final day of the exercise period falls on a holiday of the Company, the final day shall be the working day immediately preceding the final day.

4 Conditions for exercise of Subscription Rights to Shares
1) Those who received the allotment of the issue of Subscription Rights to Shares shall remain Directors, Executive Officers, Company Auditors or employees of the Company, or its subsidiaries or affiliates at the time of exercising such rights, provided however that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.
2) Subscription Rights to Shares shall not be inherited, provided however that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.
3) Subscription Rights to Shares shall not be offered for pledge or disposed of in any other way.
4) The Holders of Subscription Rights to Shares have duties to pay all taxes (including but not limited to income tax, social security contributions, pensions, and employment insurance premium) specified by laws and regulations in relation to Stock options and shares. In the case where the Company and its subsidiaries and affiliates is obliged to levy income tax, etc., the relevant company obliged to levy income tax, etc. shall be able to levy tax from such Holders of Subscription Rights to Shares by the methods listed below.
   i) Receipt by Cash
   ii) Appropriation of shares owned by the Holders of Subscription Rights to Shares
   iii) Deduction from salaries, bonuses, etc. of the Holders of Subscription Rights to Shares
   iv) Other methods specified by the Company

5 Matters concerning increase in capital stock and capital reserve by issuing of shares upon exercise of Subscription Rights to Shares
1) Amount of increase in capital stock by issuing shares upon exercise of Subscription Rights to Shares shall be half of the upper limit of capital increase as calculated pursuant to the provisions of Article 17, Paragraph 1 of the Ordinance on Accounting of Companies, where any resultant fraction less than one yen shall be rounded up.
2) Amount of increase in capital reserve by issuing shares upon exercise of Subscription Rights to Shares shall be the upper limit of capital stock increase as described in 1) above less the amount of increase in capital stock set out therein.

6 Reasons and conditions for the acquisition of Subscription Rights to Shares
1) In case that the proposal of any merger agreement under which the Company is dissolved, or any absorption-type company split (kyushu-bunkatsu) agreement or incorporation-type company split (shinsetsu-bunkatsu) plan in which the Company will be a splitting company, or any share exchange agreement or share transfer plan in

which the Company will be a wholly owned subsidiary of another company is approved at a General Shareholders' Meeting of the Company, the Company may acquire Subscription Rights to Shares at the date specifically determined by the Board of Directors of the Company without any compensation therefor.

2) In case that Holders of Subscription Rights to Shares ceases to accommodate the conditions of 4 1) above before exercising Subscription Rights to Shares, the Company may acquire such Subscription Rights to Shares at the date specifically determined by the Board of Directors of the Company without any compensation therefor.

7 Restriction on the acquisition of Subscription Rights to Shares by transfer
Any acquisition of Subscription Rights to Shares by transfer shall require an approval of the Board of Directors of the Company by its resolution.

8 In the event the Company merges (limited to cases where the Company becomes a dissolving company), performs an absorption-type company split or an incorporation-type company split, or conducts a share exchange or a share transfer (hereinafter collectively referred to as "Organizational Restructuring"), Subscription Rights to Shares of a corporation that survives after the merger, a corporation incorporated as a result of the merger, a corporation that succeeds, whole or part, to any rights and obligations that the Company holds in connection with its business as a result of an absorption-type company split, a corporation incorporated as a result of the incorporation-type company split, a corporation that acquires all of the issued shares of the Company effecting the share exchange, or a corporation incorporated as a result of the share transfer (hereinafter referred to as "Restructured Company") shall be delivered under the following conditions to each those who received the allotment of the issue of Subscription Rights to Shares remaining unexercised (hereinafter referred to as "Remaining Subscription Rights to Shares") at the time when Organizational Restructuring takes effect. In this case, the Remaining Subscription Rights to Shares will lapse and the Restructured Company will issue new Subscription Rights to Shares. However, the foregoing shall apply only to cases in which the delivery of Subscription Rights to Shares of the Restructured Company according to the following conditions is stipulated in the merger agreement, the absorption-type company split agreement, the incorporation-type company split plan, the share exchange agreement or the share transfer plan.

1) Number of Subscription Rights to Shares of the Restructured Company to be delivered
The Restructured Company shall deliver Subscription Rights to Shares, the number of which shall equal the number of Subscription Rights to Shares held by the holder of the Remaining Subscription Rights to Shares.

2) Class of shares of the Restructured Company to be issued upon the exercise of Subscription Rights to Shares
Shares of common stock of the Restructured Company

3) Number of shares of the Restructured Company to be issued upon the exercise of Subscription Rights to Shares
To be decided according to 1 above after taking into consideration the conditions, etc. of the Organizational Restructuring.

4) Value of the assets to be contributed upon the exercise of Subscription Rights to Shares
The value of the assets to be contributed upon the exercise of each Subscription Right to Shares granted shall be the amount paid per share after restructuring obtained by adjusting the Exercise Price stipulated in 2 above after taking into consideration the conditions, etc. of Organizational Restructuring multiplied by the number of shares of the Restructured Company to be issued upon the exercise of the Subscription Rights to Shares as determined in accordance with 3) above.

5) Exercise period of Subscription Rights to Shares
Starting from the later of either the first date of the exercise period of Subscription Rights to Shares as stipulated in 3 above, or the date on which the Organizational

Restructuring becomes effective and ending on the expiration date for the exercise of Subscription Rights to Shares as stipulated in 3 above.

6) Matters concerning increase in capital stock and capital reserve to be increased by issuing of shares by the Restructured Company upon the exercise of Subscription Rights to Shares
To be determined in accordance with 5 above.

7) Restriction on acquisition of Subscription Rights to Shares by transfer
Acquisition of Subscription Rights to Shares by transfer shall be subject to the approval of the Board of Directors of the Company under Organizational Restructuring (or by the majority decision of Directors if such company is not a company with Board of Directors).

8) Reason and conditions for acquisition of Subscription Rights to Shares
To be determined in accordance with 6 above.

9 Rules pertaining to fractions of less than one share arising from the exercise of Subscription Rights to Shares
Fractions of less than one share in the number of shares to be delivered to holders of Subscription Rights to Shares who exercised Subscription Rights to Shares shall be discarded.

Extraordinary Resolution at General Shareholders' Meeting (March 28, 2014)

	As of the end of fiscal year (December 31, 2014)	As of the end of month preceding the submission date (February 28, 2015)
Number of Subscription Rights to Shares	17,130	17,130
Of the Subscription Rights to Shares, the number of own Subscription Rights to Shares	12	12
Class of shares to be issued upon exercise of Subscription Rights to Shares	Common stock	Same as on the left
Number of shares to be issued upon exercise of Subscription Rights to Shares	1,713,000 (Note 1)	1,713,000 (Note 1)
Cash payment upon exercise of Subscription Rights to Shares	¥1 per right (Note 2)	¥1 per right (Note 2)
Exercise period of Subscription Rights to Shares	From March 29, 2018 to March 27, 2024 (Note 3)	Same as on the left
Issue price for shares issued through exercise of Subscription Rights to Shares and the amount to be included in capital	Issue price: ¥1,230 Amount to be included in capital: ¥615 (Note 5)	Issue price: ¥1,230 Amount to be included in capital: ¥615 (Note 5)
Conditions for exercise of Subscription Rights to Shares	(Note 4)	(Note 4)
Matters concerning transfer of Subscription Rights to Shares	(Note 7)	(Note 7)
Matters concerning collateral payment	—	—
Matters concerning issuance of Subscription Rights to Shares accompanying organizational restructuring	(Note 8)	(Note 8)

(Notes) 1 Class and number of shares to be issued upon exercise of Subscription Rights to Shares (hereinafter referred to as "Issued Shares")

100 shares shall be issued for each Subscription Right to Shares. (The number of shares for each Subscription Right to Shares shall be hereinafter referred to as "Number of Shares.")

If the Company splits its common stock (including allotment of its common stock without compensation; hereinafter the same shall apply) or consolidates its common stock, the number of shares to be issued upon exercise of each unit of such Subscription Rights to Shares shall be adjusted according to the following formula; provided that such adjustment shall be made only to those remain unexercised or uncanceled at the time of such adjustment and; provided, further, that if any fraction less than one share arises as a result of such adjustment, such fraction shall be discarded.

$$\text{Number of Issued Shares after adjustment} = \text{Number of Issued Shares before adjustment} \times \text{Ratio of split or consolidation}$$

In addition, if the Company carries out a merger, a company split, share exchange, share transfer, etc. that makes it necessary to adjust the number of shares, the Number of Issued Shares shall be adjusted within a reasonable range, taking into account the conditions of the merger, company split, share exchange, share transfer, etc.

2 Value of the assets to be contributed upon exercise of Subscription Rights to Shares
The value of the assets to be contributed upon the exercise of one Subscription Right to Shares shall be ¥1, and the number of shares subject to the Subscription Rights to Shares (shares to be issued upon exercise of Subscription Rights to Shares) shall be 100 shares. The value of the assets to be contributed upon the exercise of each Subscription Right to Shares shall be the amount obtained by multiplying the price of each Subscription Right to Shares (¥1) by the number of subject Subscription Rights to Shares to be exercised by Directors, Executive Officers, Company Auditors and employees of the Company, the Company's subsidiaries and associates.
Provided, however, that in the event of any adjustment in the number of shares stipulated in 1 above, the number of shares subject to one Subscription Right to Shares shall be adjusted likewise.

3 Exercise period of Subscription Rights to Shares
Exercise period of Subscription Rights to Shares shall be from March 29, 2018 to March 27, 2024. If the final day of the exercise period falls on a holiday of the Company, the final day shall be the working day immediately preceding the final day.

4 Conditions for exercise of Subscription Rights to Shares
1) Those who received the allotment of the issue of Subscription Rights to Shares shall remain Directors, Executive Officers, Company Auditors or employees of the Company, or its subsidiaries or affiliates at the time of exercising such rights, provided however that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.
2) Subscription Rights to Shares shall not be inherited, provided however that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.
3) Subscription Rights to Shares shall not be offered for pledge or disposed of in any other way.
4) The Holders of Subscription Rights to Shares have duties to pay all taxes (including but not limited to income tax, social security contributions, pensions, and employment insurance premium) specified by laws and regulations in relation to Stock options and shares. In the case where the Company and its subsidiaries and affiliates is obliged to levy income tax, etc., the relevant company obliged to levy income tax, etc. shall be able to levy tax from such Holders of Subscription Rights to Shares by the methods listed below.
   i) Receipt by Cash
   ii) Appropriation of shares owned by the Holders of Subscription Rights to Shares
   iii) Deduction from salaries, bonuses, etc. of the Holders of Subscription Rights to Shares
   iv) Other methods specified by the Company

5 Matters concerning increase in capital stock and capital reserve by issuing of shares upon exercise of Subscription Rights to Shares
1) Amount of increase in capital stock by issuing shares upon exercise of Subscription Rights to Shares shall be half of the upper limit of capital increase as calculated pursuant to the provisions of Article 17, Paragraph 1 of the Ordinance on Accounting of Companies, where any resultant fraction less than one yen shall be rounded up.
2) Amount of increase in capital reserve by issuing shares upon exercise of Subscription Rights to Shares shall be the upper limit of capital stock increase as described in 1) above less the amount of increase in capital stock set out therein.

6 Reasons and conditions for the acquisition of Subscription Rights to Shares
1) In case that the proposal of any merger agreement under which the Company is dissolved, or any absorption-type company split (kyushu-bunkatsu) agreement or incorporation-type company split (shinsetsu-bunkatsu) plan in which the Company will be a splitting company, or any share exchange agreement or share transfer plan in

which the Company will be a wholly owned subsidiary of another company is approved at a General Shareholders' Meeting of the Company, the Company may acquire Subscription Rights to Shares at the date specifically determined by the Board of Directors of the Company without any compensation therefor.

2) In case that Holders of Subscription Rights to Shares ceases to accommodate the conditions of 4 1) above before exercising Subscription Rights to Shares, the Company may acquire such Subscription Rights to Shares at the date specifically determined by the Board of Directors of the Company without any compensation therefor.

7 Restriction on the acquisition of Subscription Rights to Shares by transfer
Any acquisition of Subscription Rights to Shares by transfer shall require an approval of the Board of Directors of the Company by its resolution.

8 In the event the Company merges (limited to cases where the Company becomes a dissolving company), performs an absorption-type company split or an incorporation-type company split, or conducts a share exchange or a share transfer (hereinafter collectively referred to as "Organizational Restructuring"), Subscription Rights to Shares of a corporation that survives after the merger, a corporation incorporated as a result of the merger, a corporation that succeeds, whole or part, to any rights and obligations that the Company holds in connection with its business as a result of an absorption-type company split, a corporation incorporated as a result of the incorporation-type company split, a corporation that acquires all of the issued shares of the Company effecting the share exchange, or a corporation incorporated as a result of the share transfer (hereinafter referred to as "Restructured Company") shall be delivered under the following conditions to each those who received the allotment of the issue of Subscription Rights to Shares remaining unexercised (hereinafter referred to as "Remaining Subscription Rights to Shares") at the time when Organizational Restructuring takes effect. In this case, the Remaining Subscription Rights to Shares will lapse and the Restructured Company will issue new Subscription Rights to Shares. However, the foregoing shall apply only to cases in which the delivery of Subscription Rights to Shares of the Restructured Company according to the following conditions is stipulated in the merger agreement, the absorption-type company split agreement, the incorporation-type company split plan, the share exchange agreement or the share transfer plan.

1) Number of Subscription Rights to Shares of the Restructured Company to be delivered
The Restructured Company shall deliver Subscription Rights to Shares, the number of which shall equal the number of Subscription Rights to Shares held by the holder of the Remaining Subscription Rights to Shares.

2) Class of shares of the Restructured Company to be issued upon the exercise of Subscription Rights to Shares
Shares of common stock of the Restructured Company

3) Number of shares of the Restructured Company to be issued upon the exercise of Subscription Rights to Shares
To be decided according to 1 above after taking into consideration the conditions, etc. of the Organizational Restructuring.

4) Value of the assets to be contributed upon the exercise of Subscription Rights to Shares
The value of the assets to be contributed upon the exercise of each Subscription Right to Shares granted shall be the amount paid per share after restructuring obtained by adjusting the Exercise Price stipulated in 2 above after taking into consideration the conditions, etc. of Organizational Restructuring multiplied by the number of shares of the Restructured Company to be issued upon the exercise of the Subscription Rights to Shares as determined in accordance with 3) above.

5) Exercise period of Subscription Rights to Shares
Starting from the later of either the first date of the exercise period of Subscription Rights to Shares as stipulated in 3 above, or the date on which the Organizational

Restructuring becomes effective and ending on the expiration date for the exercise of Subscription Rights to Shares as stipulated in 3 above.

6) Matters concerning increase in capital stock and capital reserve to be increased by issuing of shares by the Restructured Company upon the exercise of Subscription Rights to Shares
   To be determined in accordance with 5 above.
7) Restriction on acquisition of Subscription Rights to Shares by transfer
   Acquisition of Subscription Rights to Shares by transfer shall be subject to the approval of the Board of Directors of the Company under Organizational Restructuring (or by the majority decision of Directors if such company is not a company with Board of Directors).
8) Reason and conditions for acquisition of Subscription Rights to Shares
   To be determined in accordance with 6 above.

9 Rules pertaining to fractions of less than one share arising from the exercise of Subscription Rights to Shares
Fractions of less than one share in the number of shares to be delivered to holders of Subscription Rights to Shares who exercised Subscription Rights to Shares shall be discarded.

Extraordinary Resolution at General Shareholders' Meeting (March 28, 2014)

	As of the end of month preceding the submission date (February 28, 2015)
Number of Subscription Rights to Shares	8,731
Of the Subscription Rights to Shares, the number of own Subscription Rights to Shares	88
Class of shares to be issued upon exercise of Subscription Rights to Shares	Common stock
Number of shares to be issued upon exercise of Subscription Rights to Shares	873,100 (Note 1)
Cash payment upon exercise of Subscription Rights to Shares	¥1 per right (Note 2)
Exercise period of Subscription Rights to Shares	From March 29, 2018 to March 27, 2024 (Note 3)
Issue price for shares issued through exercise of Subscription Rights to Shares and the amount to be included in capital	Issue price: ¥1,629 Amount to be included in capital: ¥815 (Note 5)
Conditions for exercise of Subscription Rights to Shares	(Note 4)
Matters concerning transfer of Subscription Rights to Shares	(Note 7)
Matters concerning collateral payment	—
Matters concerning issuance of Subscription Rights to Shares accompanying organizational restructuring	(Note 8)

(Notes) 1 Class and number of shares to be issued upon exercise of Subscription Rights to Shares (hereinafter referred to as "Issued Shares")

100 shares shall be issued for each Subscription Right to Shares. (The number of shares for each Subscription Right to Shares shall be hereinafter referred to as "Number of Shares.")

If the Company splits its common stock (including allotment of its common stock without compensation; hereinafter the same shall apply) or consolidates its common stock, the number of shares to be issued upon exercise of each unit of such Subscription Rights to Shares shall be adjusted according to the following formula; provided that such adjustment shall be made only to those remain unexercised or uncanceled at the time of such adjustment and; provided, further, that if any fraction less than one share arises as a result of such adjustment, such fraction shall be discarded.

$$\text{Number of Issued Shares after adjustment} = \text{Number of Issued Shares before adjustment} \times \text{Ratio of split or consolidation}$$

In addition, if the Company carries out a merger, a company split, share exchange, share transfer, etc. that makes it necessary to adjust the number of shares, the Number of Issued Shares shall be adjusted within a reasonable range, taking into account the conditions of the merger, company split, share exchange, share transfer, etc.

2 Value of the assets to be contributed upon exercise of Subscription Rights to Shares
The value of the assets to be contributed upon the exercise of one Subscription Right to Shares shall be ¥1, and the number of shares subject to the Subscription Rights to Shares (shares to be issued upon exercise of Subscription Rights to Shares) shall be 100 shares. The value of the assets to be contributed upon the exercise of each Subscription Right to Shares shall be the amount obtained by multiplying the price of each Subscription Right to Shares (¥1) by the number of subject Subscription Rights to Shares to be exercised by Directors, Executive Officers, Company Auditors and employees of the Company, the Company's subsidiaries and associates.
Provided, however, that in the event of any adjustment in the number of shares stipulated in 1 above, the number of shares subject to one Subscription Right to Shares shall be adjusted likewise.

3 Exercise period of Subscription Rights to Shares
Exercise period of Subscription Rights to Shares shall be from March 29, 2018 to March 27, 2024. If the final day of the exercise period falls on a holiday of the Company, the final day shall be the working day immediately preceding the final day.

4 Conditions for exercise of Subscription Rights to Shares
1) Those who received the allotment of the issue of Subscription Rights to Shares shall remain Directors, Executive Officers, Company Auditors or employees of the Company, or its subsidiaries or affiliates at the time of exercising such rights, provided however that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.
2) Subscription Rights to Shares shall not be inherited, provided however that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.
3) Subscription Rights to Shares shall not be offered for pledge or disposed of in any other way.
4) The Holders of Subscription Rights to Shares have duties to pay all taxes (including but not limited to income tax, social security contributions, pensions, and employment insurance premium) specified by laws and regulations in relation to Stock options and shares. In the case where the Company and its subsidiaries and affiliates is obliged to levy income tax, etc., the relevant company obliged to levy income tax, etc. shall be able to levy tax from such Holders of Subscription Rights to Shares by the methods listed below.
   i) Receipt by Cash
   ii) Appropriation of shares owned by the Holders of Subscription Rights to Shares
   iii) Deduction from salaries, bonuses, etc. of the Holders of Subscription Rights to Shares
   iv) Other methods specified by the Company

5 Matters concerning increase in capital stock and capital reserve by issuing of shares upon exercise of Subscription Rights to Shares
1) Amount of increase in capital stock by issuing shares upon exercise of Subscription Rights to Shares shall be half of the upper limit of capital increase as calculated pursuant to the provisions of Article 17, Paragraph 1 of the Ordinance on Accounting of Companies, where any resultant fraction less than one yen shall be rounded up.
2) Amount of increase in capital reserve by issuing shares upon exercise of Subscription Rights to Shares shall be the upper limit of capital stock increase as described in 1) above less the amount of increase in capital stock set out therein.

6 Reasons and conditions for the acquisition of Subscription Rights to Shares
1) In case that the proposal of any merger agreement under which the Company is dissolved, or any absorption-type company split (kyushu-bunkatsu) agreement or incorporation-type company split (shinsetsu-bunkatsu) plan in which the Company will be a splitting company, or any share exchange agreement or share transfer plan in

which the Company will be a wholly owned subsidiary of another company is approved at a General Shareholders' Meeting of the Company, the Company may acquire Subscription Rights to Shares at the date specifically determined by the Board of Directors of the Company without any compensation therefor.

2) In case that Holders of Subscription Rights to Shares ceases to accommodate the conditions of 4 1) above before exercising Subscription Rights to Shares, the Company may acquire such Subscription Rights to Shares at the date specifically determined by the Board of Directors of the Company without any compensation therefor.

7 Restriction on the acquisition of Subscription Rights to Shares by transfer
Any acquisition of Subscription Rights to Shares by transfer shall require an approval of the Board of Directors of the Company by its resolution.

8 In the event the Company merges (limited to cases where the Company becomes a dissolving company), performs an absorption-type company split or an incorporation-type company split, or conducts a share exchange or a share transfer (hereinafter collectively referred to as "Organizational Restructuring"), Subscription Rights to Shares of a corporation that survives after the merger, a corporation incorporated as a result of the merger, a corporation that succeeds, whole or part, to any rights and obligations that the Company holds in connection with its business as a result of an absorption-type company split, a corporation incorporated as a result of the incorporation-type company split, a corporation that acquires all of the issued shares of the Company effecting the share exchange, or a corporation incorporated as a result of the share transfer (hereinafter referred to as "Restructured Company") shall be delivered under the following conditions to each those who received the allotment of the issue of Subscription Rights to Shares remaining unexercised (hereinafter referred to as "Remaining Subscription Rights to Shares") at the time when Organizational Restructuring takes effect. In this case, the Remaining Subscription Rights to Shares will lapse and the Restructured Company will issue new Subscription Rights to Shares. However, the foregoing shall apply only to cases in which the delivery of Subscription Rights to Shares of the Restructured Company according to the following conditions is stipulated in the merger agreement, the absorption-type company split agreement, the incorporation-type company split plan, the share exchange agreement or the share transfer plan.

1) Number of Subscription Rights to Shares of the Restructured Company to be delivered
The Restructured Company shall deliver Subscription Rights to Shares, the number of which shall equal the number of Subscription Rights to Shares held by the holder of the Remaining Subscription Rights to Shares.

2) Class of shares of the Restructured Company to be issued upon the exercise of Subscription Rights to Shares
Shares of common stock of the Restructured Company

3) Number of shares of the Restructured Company to be issued upon the exercise of Subscription Rights to Shares
To be decided according to 1 above after taking into consideration the conditions, etc. of the Organizational Restructuring.

4) Value of the assets to be contributed upon the exercise of Subscription Rights to Shares
The value of the assets to be contributed upon the exercise of each Subscription Right to Shares granted shall be the amount paid per share after restructuring obtained by adjusting the Exercise Price stipulated in 2 above after taking into consideration the conditions, etc. of Organizational Restructuring multiplied by the number of shares of the Restructured Company to be issued upon the exercise of the Subscription Rights to Shares as determined in accordance with 3) above.

5) Exercise period of Subscription Rights to Shares
Starting from the later of either the first date of the exercise period of Subscription Rights to Shares as stipulated in 3 above, or the date on which the Organizational

Restructuring becomes effective and ending on the expiration date for the exercise of Subscription Rights to Shares as stipulated in 3 above.

6) Matters concerning increase in capital stock and capital reserve to be increased by issuing of shares by the Restructured Company upon the exercise of Subscription Rights to Shares

   To be determined in accordance with 5 above.

7) Restriction on acquisition of Subscription Rights to Shares by transfer

   Acquisition of Subscription Rights to Shares by transfer shall be subject to the approval of the Board of Directors of the Company under Organizational Restructuring (or by the majority decision of Directors if such company is not a company with Board of Directors).

8) Reason and conditions for acquisition of Subscription Rights to Shares

   To be determined in accordance with 6 above.

9 Rules pertaining to fractions of less than one share arising from the exercise of Subscription Rights to Shares

Fractions of less than one share in the number of shares to be delivered to holders of Subscription Rights to Shares who exercised Subscription Rights to Shares shall be discarded.

(3) Status in the Exercise of Bonds with Subscription Rights to Shares with Exercise Price Amendment

Not applicable.

(4) Rights Plans

Not applicable.

(5) Changes in the Total Number of Shares Issued and the Amount of Common Stock and Others

(Millions of Yen, unless otherwise stated)

Period	Changes in the total number of shares issued (shares)	Balance of the total number of shares issued (shares)	Changes in common stock	Balance of common stock	Changes in legal capital surplus	Balance of legal capital surplus
From January 1, 2010 to October 14, 2010 (Note 1)	8,489	13,105,469	66	107,672	66	71,430
October 15, 2010 (Note 2)	61,934	13,167,403	—	107,672	3,777	75,207
From October 15, 2010 to December 31, 2010 (Note 1)	14,294	13,181,697	106	107,779	106	75,315
From January 1, 2011 to December 31, 2011 (Note 1)	12,881	13,194,578	179	107,959	179	75,495
From January 1, 2012 to June 30, 2012 (Note 1)	6,082	13,200,660	154	108,113	154	75,649
July 1, 2012 (Note 3)	1,306,865,340	1,320,066,000	—	108,113	—	75,649
From July 1, 2012 to December 31, 2012 (Note 1)	560,600	1,320,626,600	141	108,255	141	75,791
From January 1, 2013 to December 31, 2013 (Note 1)	3,236,500	1,323,863,100	1,274	109,530	1,274	77,066
From January 1, 2014 to December 31, 2014 (Note 1)	4,740,300	1,328,603,400	2,071	111,601	2,071	79,138

(Notes) 1 Through the exercise of Subscription Rights to Shares or subscription warrants.
2 An increase due to new share issue associated with the implementation of share exchange with Rakuten Bank, Ltd.
3 The Company conducted a 100-for-1 share split on July 1, 2012. As a result of this, the number of shares issued increased by 1,306,865,340 shares.
4 Due to the exercise of Subscription Rights to Shares, total number of shares issued increased by 1,045,700 shares, common stock increased by ¥477 million and legal capital surplus increased by ¥477 million in the period from January 1, 2015 to February 28, 2015.

(6) Status of Shareholders

As of December 31, 2014

Classification	Status of shares (the number of minimum unit is 100 shares)								Status of shares below unit (shares)
	Government and local municipalities	Domestic Financial institutions	Financial instruments business operators	Other Domestic corporations	Foreign corporations, etc.		Individuals and others	Total	
					Others	Individuals			
Number of shareholders	1	48	37	368	604	135	72,447	73,640	—
Number of shares held (Unit)	1,170	1,575,234	105,612	2,524,237	5,066,013	4,914	4,008,647	13,285,827	20,700
Percentage of shares held (%)	0.01	11.86	0.80	19.00	38.13	0.03	30.17	100.00	—

(Note) 6,008,089 shares of treasury stocks are included as 60,080 units in the item of “Individuals and others” and as 89 shares in the “Status of shares below unit.”

(7) Major Shareholders

As of December 31, 2014

Name	Address	Number of shares held (shares)	Percentage of shares held to the total number of issued shares (%)
Crimson Group, Inc.	ARK Hills Executive Tower N211, 1-14-5 Akasaka, Minato-ku, Tokyo	226,419,000	17.04
Hiroshi Mikitani	Minato-ku, Tokyo	176,372,000	13.28
Haruko Mikitani	Shibuya-ku, Tokyo	132,625,000	9.98
JP MORGAN CHASE BANK 380055 (Standing proxy: Settlement & Clearing Services Division, Mizuho Bank, Ltd.)	270 PARK AVENUE, NEW YORK, NY 10017, UNITED STATES OF AMERICA (4-16-13 Tsukishima, Chuo-ku, Tokyo)	66,387,404	5.00
The Master Trust Bank of Japan, Ltd. (Trust Account)	2-11-3 Hamamatsucho, Minato-ku, Tokyo	39,346,400	2.96
GIC PRIVATE LIMITED (Standing proxy: Custody Operations Division, Tokyo Branch, The Hong Kong and Shanghai Banking Corporation Limited)	168 ROBINSON ROAD #37-01 CAPITAL TOWER SINGAPORE 068912 (3-11-1 Nihombashi, Chuo-ku, Tokyo)	33,743,887	2.54
Japan Trustee Services Bank, Ltd. (Trust account)	1-8-11 Harumi, Chuo-ku, Tokyo	31,110,300	2.34
Culture Convenience Club Co., Ltd.	2-5-25 Umeda, Kita-ku, Osaka	23,662,000	1.78
THE CHASE MANHATTAN BANK 385036 (Standing proxy: Settlement & Clearing Services Division, Mizuho Bank, Ltd.)	360 N.CRESCENT DRIVE BEVERLY HILLS, CA 90210 U.S.A. (4-16-13 Tsukishima, Chuo-ku, Tokyo)	22,036,500	1.66
JP MORGAN CHASE BANK 385164 (Standing proxy: Settlement & Clearing Services Division, Mizuho Bank, Ltd.)	25 BANK STREET, CANARY WHARF, LONDON, E14 5JP, UNITED KINGDOM (4-16-13 Tsukishima, Chuo-ku, Tokyo)	19,991,600	1.50
Total	—	771,694,091	58.08

(Note) The Company received a Report of Possession of Large Volume (Change Report), dated August 6, 2014, filed by Baillie Gifford & Co. and its joint owner, Baillie Gifford Overseas Limited, which indicates that the companies are holding the following number of the Company's shares as of July 31, 2014. However, as the Company was unable to confirm the number of shares held as of the end of the current fiscal year, the companies are not included in the Major Shareholders above.

The content of such Report of Possession of Large Volume (Change Report) is as follows:

Name	Address	Number of share certificates, etc. (shares)	Percentage of share certificates, etc. held to the total number issued (%)
Baillie Gifford & Co.	Calton Square, 1 Greenside Row, Edinburgh, EH1 3AN, Scotland	12,231,412	0.92
Baillie Gifford Overseas Limited	Calton Square, 1 Greenside Row, Edinburgh, EH1 3AN, Scotland	96,355,155	7.26
Total	—	108,586,567	8.18

(8) Status of Voting Rights

1) Issued shares

As of December 31, 2014

Classification		Number of shares (shares)	Number of voting rights	Details
Shares without voting rights		—	—	—
Shares with limited voting rights (treasury stock, etc.)		—	—	—
Shares with limited voting rights (others)		—	—	—
Shares with full voting rights (treasury stock, etc.)	(Treasury stock) Common stock	6,008,000	—	—
	(Reciprocally held shares) Common stock	79,000	—	—
Shares with full voting rights (others)	Common stock	1,322,495,700	13,224,957	—
Shares below unit	Common stock	20,700	—	—
Total number of shares issued		1,328,603,400	—	—
Total voting rights held by all shareholders		—	13,224,957	—

(Note) 89 shares of treasury stock are included in "Shares below unit."

2) Treasury Stock, etc.

As of December 31, 2014

Shareholder	Address of shareholder	Number of shares held under own name (shares)	Number of shares held under the names of others (shares)	Total (shares)	Percentage of shares held to the total number of issued shares (%)
(Treasury stock)					
Rakuten, Inc.	4-12-3 Higashishinagawa, Shinagawa-ku, Tokyo	6,008,000	—	6,008,000	0.45
(Reciprocally held shares)					
TECHMATRIX CORPORATION	4-10-8 Takanawa, Minato-ku, Tokyo	79,000	—	79,000	0.01
Total	—	6,087,000	—	6,087,000	0.46

(9) Stock Option Plans

1) The Company applies a stock option plan that grants stock options to Directors, Company Auditors and employees of the Company based on Subscription Rights to Shares in accordance with the provisions of Articles 280-20 and 280-21 of the amended Commercial Code in 2001. Schedule of the plan is as follows.

Date of resolution	March 30, 2005			
Classification and number of persons received	Directors of the Company	14	Employees of the Company	1
	Company Auditors of the Company	3		
	Employees of the Company	547		
	Directors of the Company's subsidiaries	3		
	Employees of the Company's subsidiaries	6		
Class of shares to be issued upon exercise of Subscription Rights to Shares	Common stock			
Number of shares	5,441,000 (Note 1)		200,000 (Note 1)	
Cash payment upon exercise of Subscription Rights to Shares	¥913 (Note 1)		¥1,039 (Note 1)	
Exercise period of Subscription Rights to Shares	From March 31, 2009 to March 29, 2015			
Conditions for exercise of Subscription Rights to Shares	(Note 2)			
Matters concerning transfer of Subscription Rights to Shares	(Note 2)			
Matters concerning collateral payment	—			
Matters concerning issuance of Subscription Rights to Shares accompanying organizational restructuring	(Note 3)			

(Notes) 1 Cash payment shall be the average value (a fraction less than ¥1 shall be rounded up) of the closing price (last trading price) of the Company's common stock published by Jasdaq Securities Exchange on all business days (excluding no trading days) of the month preceding the month of the grant date. If such average value turns out to be less than the closing price on the grant date, such closing price shall apply.

If the Company splits its common stock or consolidates its common stock, exercise price shall be adjusted according to the following formula. Any fraction less than ¥1 as a result of such adjustment shall be rounded up.

$$\begin{array}{c}\text{Exercise price}\\\text{after adjustment}\end{array} = \begin{array}{c}\text{Exercise price}\\\text{before adjustment}\end{array} \times \frac{1}{\text{Ratio of split or consolidation}}$$

Furthermore, in the event of issuance of common stock or disposal of treasury stock at price below market value after the grant date (except those associated with the exercise of Subscription Rights to Shares, or those associated with the exercise of Subscription Rights to Shares in accordance with provisions of Article 280-19 of the Commercial Code prior to its amendment on April 1, 2002, or those associated with the exercise of subscription warrants on bond in accordance with the provisions of Article 341-8 of the said Code), exercise price shall be adjusted according to the following formula. Any fraction less than ¥1 as a result of such adjustment shall be rounded up.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{\text{Number of shares issued} + \dfrac{\text{Number of shares newly issued} \times \text{Cash payment per share}}{\text{Share price prior to new issuance}}}{\text{Number of shares issued} + \text{number of shares newly issued}}$$

2 1) Those who received the allotment of the issue of Subscription Rights to Shares shall remain Directors, Company Auditors or employees of the Company, or its subsidiaries or associates at the time of exercising such rights, provided however that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.
2) Subscription Rights to Shares shall not be inherited.
3) Subscription Rights to Shares shall not be offered for pledge or disposed of in any other way.
4) Other conditions for the exercise shall be subject to the provisions of the agreement on allotment of Subscription Rights to Shares, concluded between the Company and holders of Subscription Rights to Shares, based on the resolution at the meeting of the Board of Directors on issuance of Subscription Rights to Shares.
5) Any acquisition of Subscription Rights to Shares by transfer shall require an approval of the Board of Directors of the Company by its resolution.

3 In the event of share exchange or share transfer in which the Company becomes a wholly owned subsidiary, obligations based on the Subscription Rights to Shares shall be succeeded by the company which becomes the Company’s wholly-owning parent as a result of such share exchange or share transfer (hereinafter referred to as “Succeeding Company”). Policy for determining the contents of Subscription Rights to Shares to be succeeded shall be as follows.

1) Class of Shares to be Issued
Shares in the Succeeding Company of the same class as the common stocks in the Company.
2) Number of Shares to be Issued
This shall be calculated by multiplying the number of shares to be issued upon the exercise of Subscription Rights to Shares by the number of shares in the Succeeding Company allotted to one share in the Company at the time of share exchange or share transfer (hereinafter referred to as “Share Allotment Ratio”). Any fraction less than one share shall be rounded up.
3) Exercise Price
This shall be the amount calculated by dividing the cash payment at the time of exercise of the Subscription Rights to Shares by the Share Allotment Ratio. Any fraction less than ¥1 shall be rounded up.
4) Exercise Period
This shall be the exercise period of these Subscription Rights to Shares. In the event that such exercise period has already started at the time of the succession, it shall start on the effective date of the share exchange or share transfer, and shall end on the expiry date of such exercise period.
5) Conditions for Exercise
This shall be determined in accordance with the conditions for the exercise of these Subscription Rights to Shares.
6) Reasons and Conditions for Cancellation
This shall be determined in accordance with the reasons of and conditions for the cancellation of these Subscription Rights to Shares.
7) Restriction on Transfer
Transfer of Subscription Rights to Shares requires approval by the Board of Directors of the Succeeding Company.

Date of resolution	March 30, 2006			
Classification and number of persons received	Directors of the Company	13	Directors of the Company	13
	Company Auditors of the Company	3	Company Auditors of the Company	3
	Employees of the Company	765	Employees of the Company	68
	Directors of the Company's subsidiaries	3		
	Employees of the Company's subsidiaries	22		
Class of shares to be issued upon exercise of Subscription Rights to Shares	Common stock			
Number of shares	3,000,000 (Note 1)		1,434,000 (Note 1)	
Cash payment upon exercise of Subscription Rights to Shares	¥1,010 (Note 1)		¥559 (Note 1)	
Exercise period of Subscription Rights to Shares	From March 31, 2010 to March 29, 2016			
Conditions for exercise of Subscription Rights to Shares	(Note 2)			
Matters concerning transfer of Subscription Rights to Shares	(Note 2)			
Matters concerning collateral payment	—			
Matters concerning issuance of Subscription Rights to Shares accompanying organizational restructuring	(Note 3)			

(Notes) 1 Cash payment shall be the average value (a fraction less than ¥1 shall be rounded up) of the closing price (last trading price) of the Company's common stock published by Jasdaq Securities Exchange on all business days (excluding no trading days) of the month preceding the month of the grant date. If such average value turns out to be less than the closing price on the grant date, such closing price shall apply.

If the Company splits its common stock or consolidates its common stock, exercise price shall be adjusted according to the following formula. Any fraction less than ¥1 as a result of such adjustment shall be rounded up.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{1}{\text{Ratio of split or consolidation}}$$

Furthermore, in the event of issuance of common stock or disposal of treasury stock at price below market value after the grant date (except those associated with the exercise of Subscription Rights to Shares, or those associated with the exercise of Subscription Rights to Shares in accordance with provisions of Article 280-19 of the Commercial Code prior to its amendment on April 1, 2002, or those associated with the exercise of subscription warrants on bond in accordance with the provisions of Article 341-8 of the said Code), exercise price shall be adjusted according to the following formula. Any fraction less than ¥1 as a result of such adjustment shall be rounded up.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{\text{Number of shares issued} + \dfrac{\text{Number of shares newly issued} \times \text{Cash payment per share}}{\text{Share price prior to new issuance}}}{\text{Number of shares issued} + \text{number of shares newly issued}}$$

2 1) Those who received the allotment of the issue of Subscription Rights to Shares shall remain Directors, Company Auditors or employees of the Company, or its subsidiaries or associates at the time of exercising such rights, provided however that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.

2) Subscription Rights to Shares shall not be inherited.

3) Subscription Rights to Shares shall not be offered for pledge or disposed of in any other way.

4) Other conditions for the exercise shall be subject to the provisions of the agreement on allotment of Subscription Rights to Shares, concluded between the Company and holders of Subscription Rights to Shares, based on the resolution at the meeting of the Board of Directors on issuance of Subscription Rights to Shares.

5) Any acquisition of Subscription Rights to Shares by transfer shall require an approval of the Board of Directors of the Company by its resolution.

3 In the event of share exchange or share transfer in which the Company becomes a wholly owned subsidiary, obligations based on the Subscription Rights to Shares shall be succeeded by the company which becomes the Company's wholly-owning parent as a result of such share exchange or share transfer (hereinafter referred to as "Succeeding Company"). Policy for determining the contents of Subscription Rights to Shares to be succeeded shall be as follows.

1) Class of Shares to be Issued
Shares in the Succeeding Company of the same class as the common stocks in the Company.

2) Number of Shares to be Issued
This shall be calculated by multiplying the number of shares to be issued upon the exercise of Subscription Rights to Shares by the number of shares in the Succeeding Company allotted to one share in the Company at the time of share exchange or share transfer (hereinafter referred to as "Share Allotment Ratio"). Any fraction less than one share shall be rounded up.

3) Exercise Price
This shall be the amount calculated by dividing the cash payment at the time of exercise of the Subscription Rights to Shares by the Share Allotment Ratio. Any fraction less than ¥1 shall be rounded up.

4) Exercise Period
This shall be the exercise period of these Subscription Rights to Shares. In the event that such exercise period has already started at the time of the succession, it shall start on the effective date of the share exchange or share transfer, and shall end on the expiry date of such exercise period.

5) Conditions for Exercise
This shall be determined in accordance with the conditions for the exercise of these Subscription Rights to Shares.

6) Reasons and Conditions for Cancellation
This shall be determined in accordance with the reasons of and conditions for the cancellation of these Subscription Rights to Shares.

7) Restriction on Transfer
Transfer of Subscription Rights to Shares requires approval by the Board of Directors of the Succeeding Company.

2) The Company applies a stock option plan that grants stock options to Directors, Company Auditors and employees of the Company based on Subscription Rights to Shares in accordance with the provisions of Articles 236, 238 and 239 of the Companies Act. Schedule of the plan is as follows.

Date of resolution	March 27, 2008	
Classification and number of persons received	Directors, Company Auditors and employees of the Company	2,035
Class of shares to be issued upon exercise of Subscription Rights to Shares	Common stock	
Number of shares	3,305,000 (Note 1)	
Cash payment upon exercise of Subscription Rights to Shares	¥563 (Note 1)	
Exercise period of Subscription Rights to Shares	From March 28, 2012 to March 26, 2018	
Conditions for exercise of Subscription Rights to Shares	(Note 2)	
Matters concerning transfer of Subscription Rights to Shares	(Note 2)	
Matters concerning collateral payment	—	
Matters concerning issuance of Subscription Rights to Shares accompanying organizational restructuring	(Note 3)	

(Notes) 1 Cash payment per share issued through the exercise (including the transfer of treasury stock as substitute for such issue; hereinafter the same) of each Subscription Rights to Shares (hereinafter referred to as “Exercise Price”) shall be the average value of the closing price of the regular transactions in the Company’s shares, as published by the Jasdaq Securities Exchange on all business days (excluding no trading days) of the month preceding the month the Subscription Rights to Shares are issued (hereinafter referred to as “Issue Date”). Any fraction less than ¥1 as a result of the calculation shall be rounded up.

If such average value turns out to be less than the closing price on the Issue Date (or the closing price on the previous business day, if no closing price is recorded on the Issue Date), such closing price shall apply.

If the Company splits its common stock or consolidates its common stock after the Issue Date, Exercise Price shall be adjusted according to the following formula. Any fraction less than ¥1 as a result of such adjustment shall be rounded up.

$$\begin{array}{c}\text{Exercise Price}\\\text{after adjustment}\end{array} = \begin{array}{c}\text{Exercise Price}\\\text{before adjustment}\end{array} \times \frac{1}{\text{Ratio of split or consolidation}}$$

Furthermore, in the event of issuance of common stock or disposal of treasury stock at price below market value after the Issue Date (except those associated with the exercise of Subscription Rights to Shares, or those associated with the exercise of subscription warrants in accordance with the provisions of Article 280-19 of the Commercial Code prior to its amendment on April 1, 2002), the Exercise Price shall be adjusted according to the following formula. Any fraction less than ¥1 as a result of such adjustment shall be rounded up. In other cases of issuance of Subscription Rights to Shares (insofar as price of the shares issued in association with the exercise of such subscription rights is below the market value at the time of issuance of the Subscription Rights to Shares), Exercise Price shall be adjusted likewise.

“Number of shares issued” in the following formula shall refer to the total number of shares issued in the Company less the number of treasury stocks held by the Company. In case of disposing treasury stock, “shares newly issued” shall read “treasury stock disposed” or “cash payment per share” shall read “disposal proceeds per share”.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{\text{Number of shares issued} + \dfrac{\text{Number of shares newly issued} \times \text{Cash payment per share}}{\text{Share price prior to new issuance}}}{\text{Number of shares issued} + \text{number of shares newly issued}}$$

Besides the above, in case the Company carries out a merger etc., or according as other such circumstances that make it necessary to adjust the Exercise Price after issuance, the Exercise Price may be adjusted as appropriate within a necessary and reasonable range.

2 1) Those who received the allotment of the issue of Subscription Rights to Shares shall remain Directors, Company Auditors or employees of the Company, or its subsidiaries or associates at the time of exercising such rights, provided however that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.
2) Subscription Rights to Shares shall not be inherited.
3) Subscription Rights to Shares shall not be offered for pledge or disposed of in any other way.
4) Other conditions for the exercise shall be subject to the provisions of the agreement on allotment of Subscription Rights to Shares, concluded between the Company and holders of Subscription Rights to Shares, based on the resolution at the meeting of the Board of Directors on issuance of Subscription Rights to Shares.
5) Any acquisition of Subscription Rights to Shares by transfer shall require an approval of the Board of Directors of the Company by its resolution.

3 In the event of share exchange or share transfer in which the Company becomes a wholly owned subsidiary, obligations based on the Subscription Rights to Shares shall be succeeded by the company which becomes the Company's wholly-owning parent as a result of such share exchange or share transfer (hereinafter referred to as "Succeeding Company"). Policy for determining the contents of Subscription Rights to Shares to be succeeded shall be as follows.

1) Class of Shares to be Issued
Shares in the Succeeding Company of the same class as the common stocks in the Company.
2) Number of Shares to be Issued
This shall be calculated by multiplying the number of shares to be issued upon the exercise of Subscription Rights to Shares by the number of shares in the Succeeding Company allotted to one share in the Company at the time of share exchange or share transfer (hereinafter referred to as "Share Allotment Ratio"). Any fraction less than one share shall be rounded up.
3) Exercise Price
This shall be the amount calculated by dividing the cash payment at the time of exercise of the Subscription Rights to Shares by the Share Allotment Ratio. Any fraction less than ¥1 shall be rounded up.
4) Exercise Period
This shall be the exercise period of these Subscription Rights to Shares. In the event that such exercise period has already started at the time of the succession, it shall start on the effective date of the share exchange or share transfer, and shall end on the expiry date of such exercise period.
5) Conditions for Exercise
This shall be determined in accordance with the conditions for the exercise of these Subscription Rights to Shares.
6) Reasons and Conditions for Cancellation
This shall be determined in accordance with the reasons of and conditions for the cancellation of these Subscription Rights to Shares.
7) Restriction on Transfer
Transfer of Subscription Rights to Shares requires approval by the Board of Directors of the Succeeding Company.

Date of resolution	March 27, 2009	
Classification and number of persons received	Directors, Company Auditors and employees of the Company	2,379
Class of shares to be issued upon exercise of Subscription Rights to Shares	Common stock	
Number of shares	1,198,900 (Note 1)	
Cash payment upon exercise of Subscription Rights to Shares	¥707 (Note 1)	
Exercise period of Subscription Rights to Shares	From March 28, 2013 to March 26, 2019	
Conditions for exercise of Subscription Rights to Shares	(Note 2)	
Matters concerning transfer of Subscription Rights to Shares	(Note 2)	
Matters concerning collateral payment	—	
Matters concerning issuance of Subscription Rights to Shares accompanying organizational restructuring	(Note 3)	

(Notes) 1 Cash payment per share issued through the exercise (including the transfer of treasury stock as substitute for such issue; hereinafter the same) of each Subscription Rights to Shares (hereinafter referred to as "Exercise Price") shall be the average value of the closing price of the regular transactions in the Company's shares, as published by the Jasdaq Securities Exchange on all business days (excluding no trading days) of the month preceding the month the Subscription Rights to Shares are issued (hereinafter referred to as "Issue Date"). Any fraction less than ¥1 as a result of the calculation shall be rounded up.

If such average value turns out to be less than the closing price on the Issue Date (or the closing price on the previous business day, if no closing price is recorded on the Issue Date), such closing price shall apply.

If the Company splits its common stock or consolidates its common stock after the Issue Date, exercise price shall be adjusted according to the following formula. Any fraction less than ¥1 as a result of such adjustment shall be rounded up.

$$\text{Exercise Price after adjustment} = \text{Exercise Price before adjustment} \times \frac{1}{\text{Ratio of split or consolidation}}$$

Furthermore, in the event of issuance of common stock or disposal of treasury stock at price below market value after the Issue Date (except those associated with the exercise of Subscription Rights to Shares, or those associated with the exercise of subscription warrants in accordance with the provisions of Article 280-19 of the Commercial Code prior to its amendment on April 1, 2002), the exercise price shall be adjusted according to the following formula. Any fraction less than ¥1 as a result of such adjustment shall be rounded up. In other cases of issuance of Subscription Rights to Shares (insofar as price of the shares issued in association with the exercise of such subscription rights is below the market value at the time of issuance of the Subscription Rights to Shares), exercise price shall be adjusted likewise.

"Number of shares issued" in the following formula shall refer to the total number of shares issued in the Company less the number of treasury stocks held by the Company. In case of disposing treasury stock, "shares newly issued" shall read "treasury stock disposed" or "cash payment per share" shall read "disposal proceeds per share".

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{\text{Number of shares issued} + \dfrac{\text{Number of shares newly issued} \times \text{Cash payment per share}}{\text{Share price prior to new issuance}}}{\text{Number of shares issued} + \text{number of shares newly issued}}$$

Besides the above, in case the Company carries out a merger etc., or according as other such circumstances that make it necessary to adjust the Exercise Price after issuance, the Exercise Price may be adjusted as appropriate within a necessary and reasonable range.

2 1) Those who received the allotment of the issue of Subscription Rights to Shares shall remain Directors, Company Auditors or employees of the Company, or its subsidiaries or associates at the time of exercising such rights, provided however that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.
2) Subscription Rights to Shares shall not be inherited.
3) Subscription Rights to Shares shall not be offered for pledge or disposed of in any other way.
4) Other conditions for the exercise shall be subject to the provisions of the agreement on allotment of Subscription Rights to Shares, concluded between the Company and holders of Subscription Rights to Shares, based on the resolution at the meeting of the Board of Directors on issuance of Subscription Rights to Shares.
5) Any acquisition of Subscription Rights to Shares by transfer shall require an approval of the Board of Directors of the Company by its resolution.

3 In the vent of share exchange or share transfer in which the Company becomes a wholly owned subsidiary, obligations based on the Subscription Rights to Shares shall be succeeded by the company which becomes the Company's wholly-owning parent as a result of such share exchange or share transfer (hereinafter referred to as "Succeeding Company"). Policy for determining the contents of Subscription Rights to Shares to be succeeded shall be as follows.
1) Class of Shares to be Issued
Shares in the Succeeding Company of the same class as the common stocks in the Company.
2) Number of Shares to be Issued
This shall be calculated by multiplying the number of shares to be issued upon the exercise of Subscription Rights to Shares by the number of shares in the Succeeding Company allotted to one share in the Company at the time of share exchange or share transfer (hereinafter referred to as "Share Allotment Ratio"). Any fraction less than one share shall be rounded up.
3) Exercise Price
This shall be the amount calculated by dividing the cash payment at the time of exercise of the Subscription Rights to Shares by the Share Allotment Ratio. Any fraction less than ¥1 shall be rounded up.
4) Exercise Period
This shall be the exercise period of these Subscription Rights to Shares. In the event that such exercise period has already started at the time of the succession, it shall start on the effective date of the share exchange or share transfer, and shall end on the expiry date of such exercise period.
5) Conditions for Exercise
This shall be determined in accordance with the conditions for the exercise of these Subscription Rights to Shares.
6) Reasons and Conditions for Cancellation
This shall be determined in accordance with the reasons of and conditions for the cancellation of these Subscription Rights to Shares.
7) Restriction on Transfer
Transfer of Subscription Rights to Shares requires approval by the Board of Directors of the Succeeding Company.

Date of resolution	March 30, 2010
Classification and number of persons received	Directors, Company Auditors and employees of the Company, the Company's subsidiaries and associates
Class of shares to be issued upon exercise of Subscription Rights to Shares	Common stock
Number of shares	Maximum 6,000,000 (Note 1)
Cash payment upon exercise of Subscription Rights to Shares	(Note 1)
Exercise period of Subscription Rights to Shares	From March 31, 2014 to March 29, 2020
Conditions for exercise of Subscription Rights to Shares	(Note 2)
Matters concerning transfer of Subscription Rights to Shares	(Note 2)
Matters concerning collateral payment	—
Matters concerning issuance of Subscription Rights to Shares accompanying organizational restructuring	(Note 3)

(Notes) 1 Cash payment per share issued through the exercise (including the transfer of treasury stock as substitute for such issue; hereinafter the same) of each subscription right to shares (hereinafter referred to as "Exercise Price") shall be the average value of the closing price of the regular transactions in the Company's shares, as published by the Jasdaq Securities Exchange on all business days (excluding no trading days) of the month preceding the month the Subscription Rights to Shares are issued (hereinafter referred to as "Issue Date"). Any fraction less than ¥1 as a result of the calculation shall be rounded up.

If such average value turns out to be less than the closing price on the Issue Date (or the closing price on the previous business day, if no closing price is recorded on the Issue Date), such closing price shall apply.

If the Company splits its common stock or consolidates its common stock after the Issue Date, exercise price shall be adjusted according to the following formula. Any fraction less than ¥1 as a result of such adjustment shall be rounded up.

$$\text{Exercise Price after adjustment} = \text{Exercise Price before adjustment} \times \frac{1}{\text{Ratio of split or consolidation}}$$

Furthermore, in the event of issuance of common stock or disposal of treasury stock at price below market value after the Issue Date (except those associated with the exercise of Subscription Rights to Shares, or those associated with the exercise of subscription warrants in accordance with the provisions of Article 280-19 of the Commercial Code prior to its amendment on April 1, 2002), the Exercise Price shall be adjusted by the following formula. Any fraction less than ¥1 as a result of such adjustment shall be rounded up. In other cases of issuance of Subscription Rights to Shares (insofar as price of the shares issued in association with the exercise of such subscription rights is below the market value at the time of issuance of the Subscription Rights to Shares), Exercise Price shall be adjusted likewise.

"Number of shares issued" in the following formula shall refer to the total number of shares issued in the Company less the number of treasury stocks held by the Company. In case of disposing treasury stock, "shares newly issued" shall read "treasury stock disposed" or "cash payment per share" shall read "disposal proceeds per share."

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{\text{Number of shares issued} + \dfrac{\text{Number of shares newly issued} \times \text{Cash payment per share}}{\text{Share price prior to new issuance}}}{\text{Number of shares issued} + \text{number of shares newly issued}}$$

Besides the above, in case the Company carries out a merger etc., or according as other such circumstances that make it necessary to adjust the Exercise Price after issuance, the Exercise Price may be adjusted as appropriate within a necessary and reasonable range.

2 1) Those who received the allotment of the issue of Subscription Rights to Shares shall remain Directors, Company Auditors or employees of the Company, or its subsidiaries or associates at the time of exercising such rights, provided however that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.

2) Subscription Rights to Shares shall not be inherited.

3) Subscription Rights to Shares shall not be offered for pledge or disposed of in any other way.

4) Other conditions for the exercise shall be subject to the provisions of the "agreement on allotment of Subscription Rights to Shares," concluded between the Company and holders of Subscription Rights to Shares, based on the resolution at the meeting of the Board of Directors on issuance of Subscription Rights to Shares.

5) Any acquisition of Subscription Rights to Shares by transfer shall require an approval of the Board of Directors of the Company by its resolution.

3 In the event the Company merges (limited to cases where the Company becomes a dissolving company), performs an absorption-type company split or an incorporation-type company split, or conducts a share exchange or a share transfer (hereinafter collectively referred to as "Organizational Restructuring"), Subscription Rights to Shares of a corporation described in Article 236, Paragraph 1, Items 8-1 through 8-5 of the Companies Act (hereinafter referred to as "Restructured Company") shall be delivered under the following conditions to each those who received the allotment of issue of Subscription Rights to Shares remaining unexercised (hereinafter referred to as "Remaining Subscription Rights to Shares") at the time when Organizational Restructuring takes effect. In this case, the Remaining Subscription Rights to Shares will lapse and the Restructured Company will issue new Subscription Rights to Shares. However, the foregoing shall apply only to cases in which the delivery of Subscription Rights to Shares of the Restructured Company according to the following conditions is stipulated in the merger agreement, the absorption-type company split agreement, the incorporation-type company split plan, the share exchange agreement or the share transfer plan.

1) Number of Subscription Rights to Shares of the Restructured Company to be Delivered
The Restructured Company shall deliver Subscription Rights to Shares, the number of which shall equal the number of Subscription Rights to Shares held by the holder of the Remaining Subscription Rights to Shares.

2) Class of Shares of the Restructured Company to be Issued upon the Exercise of Subscription Rights to Shares
Shares of common stock of the Restructured Company

3) Number of Shares of the Restructured Company to be Issued upon the Exercise of Subscription Rights to Shares
To be decided according to class and number of shares of the Restructured Company to be issued upon the exercise of Subscription Rights to Shares and total number of Subscription Rights to Shares above after taking into consideration the conditions, etc. of the Organizational Restructuring.

4) Value of the Assets to be Contributed upon the Exercise of Subscription Rights to Shares
The value of the assets to be contributed upon the exercise of each Subscription Right to Shares shall be the amount paid after restructuring obtained by adjusting the Exercise Price stipulated in (Note 1) after taking into consideration the conditions etc. of Organizational Restructuring multiplied by the number of shares of the Restructured Company to be issued upon the exercise of the Subscription Rights to Shares as determined in accordance with 3) above.

5) Exercise Period of Subscription Rights to Shares
Starting from the later of either the first date of the exercise period of this Subscription Rights to Shares or the date on which the Organizational Restructuring becomes effective and ending on the expiration date for the exercise of this Subscription Rights to Shares.
6) Matters Concerning Increase in Common Stock and Legal Capital Reserve by Issuing of Shares by the Restructured Company upon the Exercise of Subscription Rights to Shares
This is to be determined in accordance with matters concerning increase in common stock and legal capital reserve by issuing of shares upon exercise of Subscription Rights to Shares.
7) Restriction on Acquisition of Subscription Rights to Shares by Transfer
Acquisition of Subscription Rights to Shares by transfer shall be subject to the approval of the Board of Directors of the Restructured Company (or by the majority decision of directors if such company is not a company with board of directors).
8) Reason and Conditions for Acquisition of Subscription Rights to Shares
This is to be determined in accordance with reasons and conditions for the acquisition of Subscription Rights to Shares.

Date of resolution	March 30, 2011
Classification and number of persons received	Directors, Company Auditors and employees of the Company, the Company's subsidiaries and associates
Class of shares to be issued upon exercise of Subscription Rights to Shares	Common stock
Number of shares	Maximum 6,000,000 (Note 1)
Cash payment upon exercise of Subscription Rights to Shares	(Note 1)
Exercise period of Subscription Rights to Shares	From March 31, 2015 to March 29, 2021
Conditions for exercise of Subscription Rights to Shares	(Note 2)
Matters concerning transfer of Subscription Rights to Shares	(Note 2)
Matters concerning collateral payment	—
Matters concerning issuance of Subscription Rights to Shares accompanying organizational restructuring	(Note 3)

(Notes) 1 Cash payment per share issued through the exercise (including the transfer of treasury stock as substitute for such issue; hereinafter the same) of each Subscription Rights to Shares (hereinafter referred to as "Exercise Price") shall be the average value of the closing price of the regular transactions in the Company's shares, as published by Osaka Securities Exchange JASDAQ (standard) on all business days (excluding no trading days) of the month preceding the month the Subscription Rights to Shares are issued (hereinafter referred to as "Issue Date"). Any fraction less than ¥1 as a result of the calculation shall be rounded up.

If such average value turns out to be less than the closing price on the Issue Date (or the closing price on the previous business day, if no closing price is recorded on the Issue Date), such closing price shall apply.

If the Company splits its common stock or consolidates its common stock after the Issue Date, exercise price shall be adjusted according to the following formula. Any fraction less than ¥1 as a result of such adjustment shall be rounded up.

$$\begin{array}{c}\text{Exercise Price}\\\text{after adjustment}\end{array} = \begin{array}{c}\text{Exercise Price}\\\text{before adjustment}\end{array} \times \frac{1}{\text{Ratio of split or consolidation}}$$

Furthermore, in the event of issuance of common stock or disposal of treasury stock at price below market value after the Issue Date (except those associated with the exercise of Subscription Rights to Shares, or those associated with the exercise of subscription warrants in accordance with the provisions of Article 280-19 of the Commercial Code prior to its amendment on April 1, 2002), the Exercise Price shall be adjusted by the following formula. Any fraction less than ¥1 as a result of such adjustment shall be rounded up. In other cases of issuance of Subscription Rights to Shares (insofar as price of the shares issued in association with the exercise of such subscription rights is below the market value at the time of issuance of the Subscription Rights to Shares), Exercise Price shall be adjusted likewise.

"Number of shares issued" in the following formula shall refer to the total number of shares issued in the Company less the number of treasury stocks held by the Company. In case of disposing treasury stock, "shares newly issued" shall read "treasury stock disposed" or "cash payment per share" shall read "disposal proceeds per share."

$$\begin{array}{c}\text{Exercise}\\\text{price}\\\text{after}\\\text{adjustment}\end{array} = \begin{array}{c}\text{Exercise}\\\text{price}\\\text{before}\\\text{adjustment}\end{array} \times \frac{\begin{array}{c}\text{Number of shares}\\\text{issued}\end{array} + \dfrac{\text{Number of shares newly issued} \times \text{Cash payment per share}}{\text{Share price prior to new issuance}}}{\text{Number of shares issued} + \text{number of shares newly issued}}$$

Besides the above, in case the Company carries out a merger, etc., or according as other such circumstances that make it necessary to adjust the Exercise Price after issuance, the Exercise Price may be adjusted as appropriate within a necessary and reasonable range.

2 1) Those who received the allotment of the issue of Subscription Rights to Shares shall remain Directors, Company Auditors or employees of the Company, or its subsidiaries or associates at the time of exercising such rights, provided however that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.
2) Subscription Rights to Shares shall not be inherited.
3) Subscription Rights to Shares shall not be offered for pledge or disposed of in any other way.
4) Other conditions for the exercise shall be subject to the provisions of the “agreement on allotment of Subscription Rights to Shares,” concluded between the Company and holders of Subscription Rights to Shares, based on the resolution at the meeting of the Board of Directors on issuance of Subscription Rights to Shares.
5) Any acquisition of Subscription Rights to Shares by transfer shall require an approval of the Board of Directors of the Company by its resolution.

3 In the event the Company merges (limited to cases where the Company becomes a dissolving company), performs an absorption-type company split or an incorporation-type company split, or conducts a share exchange or a share transfer (hereinafter collectively referred to as “Organizational Restructuring”), Subscription Rights to Shares of a corporation described in Article 236, Paragraph 1, Items 8-1 through 8-5 of the Companies Act (hereinafter referred to as “Restructured Company”) shall be delivered under the following conditions to each those who received the allotment of issue of Subscription Rights to Shares remaining unexercised (hereinafter referred to as “Remaining Subscription Rights to Shares”) at the time when Organizational Restructuring takes effect. In this case, the Remaining Subscription Rights to Shares will lapse and the Restructured Company will issue new Subscription Rights to Shares. However, the foregoing shall apply only to cases in which the delivery of Subscription Rights to Shares of the Restructured Company according to the following conditions is stipulated in the merger agreement, the absorption-type company split agreement, the incorporation-type company split plan, the share exchange agreement or the share transfer plan.

1) Number of Subscription Rights to Shares of the Restructured Company to be Delivered
The Restructured Company shall deliver Subscription Rights to Shares, the number of which shall equal the number of Subscription Rights to Shares held by the holder of the Remaining Subscription Rights to Shares.
2) Class of Shares of the Restructured Company to be Issued upon the Exercise of Subscription Rights to Shares
Shares of common stock of the Restructured Company
3) Number of Shares of the Restructured Company to be Issued upon the Exercise of Subscription Rights to Shares
To be decided according to class and number of shares of the Restructured Company to be issued upon the exercise of Subscription Rights to Shares and total number of Subscription Rights to Shares above after taking into consideration the conditions, etc. of the Organizational Restructuring.
4) Value of the Assets to be Contributed upon the Exercise of Subscription Rights to Shares
The value of the assets to be contributed upon the exercise of each Subscription Right to Shares shall be the amount paid after restructuring obtained by adjusting the Exercise Price stipulated in (Note 1) after taking into consideration the conditions, etc.

of Organizational Restructuring multiplied by the number of shares of the Restructured Company to be issued upon the exercise of the Subscription Rights to Shares as determined in accordance with 3) above.

5) Exercise Period of Subscription Rights to Shares
Starting from the later of either the first date of the exercise period of this Subscription Rights to Shares or the date on which the Organizational Restructuring becomes effective and ending on the expiration date for the exercise of this Subscription Rights to Shares.

6) Matters Concerning Increase in Common Stock and Legal Capital Reserve by Issuing of Shares by the Restructured Company upon the Exercise of Subscription Rights to Shares
This is to be determined in accordance with matters concerning increase common stock and legal capital reserve by issuing of shares upon exercise of Subscription Rights to Shares.

7) Restriction on Acquisition of Subscription Rights to Shares by Transfer
Acquisition of Subscription Rights to Shares by transfer shall be subject to the approval of the Board of Directors of the Restructured Company (or by the majority decision of directors if such company is not a company with board of directors).

8) Reason and Conditions for Acquisition of Subscription Rights to Shares
This is to be determined in accordance with reasons and conditions for the acquisition of Subscription Rights to Shares.

Subscription Rights to Shares (A)

Date of resolution	March 29, 2012					
Classification and number of persons received	Employees of the Company	2,529	Directors, Company Auditors and employees of the Company's subsidiaries	714	Employees of the Company's subsidiaries	4
Class of shares to be issued upon exercise of Subscription Rights to Shares	Common stock					
Number of shares	352,100 (Note 1)		109,800 (Note 1)		500 (Note 1)	
Cash payment upon exercise of Subscription Rights to Shares	¥ 1 (Note 1)					
Exercise period of Subscription Rights to Shares	From March 30, 2016 to March 28, 2022					
Conditions for exercise of Subscription Rights to Shares	(Note 2)					
Matters concerning transfer of Subscription Rights to Shares	(Note 2)					
Matters concerning collateral payment	—					
Matters concerning issuance of Subscription Rights to Shares accompanying organizational restructuring	(Note 3)					

(Notes) 1 This shall be the amount calculated by multiplying the cash payment per share issued as a result of the exercise (including the transfer of treasury stock as substitute for such issue; hereinafter the same) of each Subscription Rights to Shares (hereinafter referred to as "Exercise Price") by the number of shares to be issued upon exercise of the Subscription Rights to Shares. Exercise Price shall be ¥1 per share. If the Company splits its common stock or consolidates its common stock after the Issue Date, exercise price shall be adjusted according to the following formula. Any fraction less than ¥1 as a result of such adjustment shall be rounded up.

$$\begin{matrix}\text{Exercise Price} \\ \text{after adjustment}\end{matrix} = \begin{matrix}\text{Exercise Price} \\ \text{before adjustment}\end{matrix} \times \frac{1}{\text{Ratio of split or consolidation}}$$

Besides the above, in case the Company carries out a merger, etc., or according as other such circumstances that make it necessary to adjust the Exercise Price after issuance, the Exercise Price may be adjusted as appropriate within a necessary and reasonable range.

2 1) Those who received the allotment of the issue of Subscription Rights to Shares shall remain Directors, Executive Officers, Company Auditors or employees of the Company, or its subsidiaries or associates at the time of exercising such rights, provided however that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.

2) Subscription Rights to Shares shall not be inherited, provided however that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.

3) Subscription Rights to Shares shall not be offered for pledge or disposed of in any other way,

4) Any acquisition of Subscription Rights to Shares by transfer shall require an approval of the Board of Directors of the Company by its resolution.

3 In the event the Company merges (limited to cases where the Company becomes a dissolving company), performs an absorption-type company split or an incorporation-type company split, or conducts a share exchange or a share transfer (hereinafter collectively

referred to as “Organizational Restructuring”), Subscription Rights to Shares of a corporation described in Article 236, Paragraph 1, Items 8-1 through 8-5 of the Companies Act (hereinafter referred to as “Restructured Company”) shall be delivered under the following conditions to each those who received the allotment of issue of Subscription Rights to Shares remaining unexercised (hereinafter referred to as “Remaining Subscription Rights to Shares”) at the time when Organizational Restructuring takes effect. In this case, the Remaining Subscription Rights to Shares will lapse and the Restructured Company will issue new Subscription Rights to Shares. However, the foregoing shall apply only to cases in which the delivery of Subscription Rights to Shares of the Restructured Company according to the following conditions is stipulated in the merger agreement, the absorption-type company split agreement, the incorporation-type company split plan, the share exchange agreement or the share transfer plan.

1) Number of Subscription Rights to Shares of the Restructured Company to be Delivered
   The Restructured Company shall deliver Subscription Rights to Shares, the number of which shall equal the number of Subscription Rights to Shares held by the holder of the Remaining Subscription Rights to Shares.
2) Class of Shares of the Restructured Company to be Issued upon the Exercise of Subscription Rights to Shares
   Shares of common stock of the Restructured Company
3) Number of Shares of the Restructured Company to be Issued upon the Exercise of Subscription Rights to Shares
   To be decided according to class and number of shares of the Restructured Company to be issued upon the exercise of Subscription Rights to Shares and total number of Subscription Rights to Shares above after taking into consideration the conditions, etc. of the Organizational Restructuring.
4) Value of the Assets to be Contributed upon the Exercise of Subscription Rights to Shares
   The value of the assets to be contributed upon the exercise of each Subscription Right to Shares shall be the amount paid after restructuring obtained by adjusting the Exercise Price stipulated in (Note 1) after taking into consideration the conditions, etc. of Organizational Restructuring multiplied by the number of shares of the Restructured Company to be issued upon the exercise of the Subscription Rights to Shares as determined in accordance with 3) above.
5) Exercise Period of Subscription Rights to Shares
   Starting from the later of either the first date of the exercise period of this Subscription Rights to Shares or the date on which the Organizational Restructuring becomes effective and ending on the expiration date for the exercise of this Subscription Rights to Shares.
6) Matters Concerning Increase in Common Stock and Legal Capital Reserve by Issuing of Shares by the Restructured Company upon the Exercise of Subscription Rights to Shares
   This is to be determined in accordance with matters concerning increase in common stock and legal capital reserve by issuing of shares upon exercise of Subscription Rights to Shares.
7) Restriction on Acquisition of Subscription Rights to Shares by Transfer
   Acquisition of Subscription Rights to Shares by transfer shall be subject to the approval of the Board of Directors of the Restructured Company (or by the majority decision of directors if such company is not a company with board of directors).
8) Reason and Conditions for Acquisition of Subscription Rights to Shares
   This is to be determined in accordance with reasons and conditions for the acquisition of Subscription Rights to Shares.

Subscription Rights to Shares (A)

Date of resolution	March 29, 2012					
Classification and number of persons received	Employees of the Company and Directors, Company Auditors and employees of the Company's subsidiaries	4,632	Directors of the Company's subsidiaries	1	Directors, Company Auditors and employees of the Company and Directors and employees of the Company's subsidiaries	77
Class of shares to be issued upon exercise of Subscription Rights to Shares	Common stock					
Number of shares	1,478,000 (Note 1)		276,100 (Note 1)		654,900 (Note 1)	
Cash payment upon exercise of Subscription Rights to Shares	¥ 1 (Note 1)					
Exercise period of Subscription Rights to Shares	From March 30, 2016 to March 28, 2022					
Conditions for exercise of Subscription Rights to Shares	(Note 2)					
Matters concerning transfer of Subscription Rights to Shares	(Note 2)					
Matters concerning collateral payment	—					
Matters concerning issuance of Subscription Rights to Shares accompanying organizational restructuring	(Note 3)					

(Notes) 1 This shall be the amount calculated by multiplying the cash payment per share issued as a result of the exercise (including the transfer of treasury stock as substitute for such issue; hereinafter the same) of each Subscription Rights to Shares (hereinafter referred to as "Exercise Price") by the number of shares to be issued upon exercise of the Subscription Rights to Shares. Exercise Price shall be ¥1 per share. If the Company splits its common stock or consolidates its common stock after the Issue Date, exercise price shall be adjusted according to the following formula. Any fraction less than ¥1 as a result of such adjustment shall be rounded up.

$$\begin{array}{c}\text{Exercise Price}\\ \text{after adjustment}\end{array} = \begin{array}{c}\text{Exercise Price}\\ \text{before adjustment}\end{array} \times \frac{1}{\text{Ratio of split or consolidation}}$$

Besides the above, in case the Company carries out a merger, etc., or according as other such circumstances that make it necessary to adjust the Exercise Price after issuance, the Exercise Price may be adjusted as appropriate within a necessary and reasonable range.

2 1) Those who received the allotment of the issue of Subscription Rights to Shares shall remain Directors, Executive Officers, Company Auditors or employees of the Company, or its subsidiaries or associates at the time of exercising such rights, provided however that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.

2) Subscription Rights to Shares shall not be inherited, provided however that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.

3) Subscription Rights to Shares shall not be offered for pledge or disposed of in any other way,

4) Any acquisition of Subscription Rights to Shares by transfer shall require an approval of the Board of Directors of the Company by its resolution.

3 In the event the Company merges (limited to cases where the Company becomes a dissolving company), performs an absorption-type company split or an incorporation-type company split, or conducts a share exchange or a share transfer (hereinafter collectively referred to as “Organizational Restructuring”), Subscription Rights to Shares of a corporation described in Article 236, Paragraph 1, Items 8-1 through 8-5 of the Companies Act (hereinafter referred to as “Restructured Company”) shall be delivered under the following conditions to each those who received the allotment of issue of Subscription Rights to Shares remaining unexercised (hereinafter referred to as “Remaining Subscription Rights to Shares”) at the time when Organizational Restructuring takes effect. In this case, the Remaining Subscription Rights to Shares will lapse and the Restructured Company will issue new Subscription Rights to Shares. However, the foregoing shall apply only to cases in which the delivery of Subscription Rights to Shares of the Restructured Company according to the following conditions is stipulated in the merger agreement, the absorption-type company split agreement, the incorporation-type company split plan, the share exchange agreement or the share transfer plan.

1) Number of Subscription Rights to Shares of the Restructured Company to be Delivered
The Restructured Company shall deliver Subscription Rights to Shares, the number of which shall equal the number of Subscription Rights to Shares held by the holder of the Remaining Subscription Rights to Shares.

2) Class of Shares of the Restructured Company to be Issued upon the Exercise of Subscription Rights to Shares
Shares of common stock of the Restructured Company

3) Number of Shares of the Restructured Company to be Issued upon the Exercise of Subscription Rights to Shares
To be decided according to class and number of shares of the Restructured Company to be issued upon the exercise of Subscription Rights to Shares and total number of Subscription Rights to Shares above after taking into consideration the conditions, etc. of the Organizational Restructuring.

4) Value of the Assets to be Contributed upon the Exercise of Subscription Rights to Shares
The value of the assets to be contributed upon the exercise of each Subscription Right to Shares shall be the amount paid after restructuring obtained by adjusting the Exercise Price stipulated in (Note 1) after taking into consideration the conditions, etc. of Organizational Restructuring multiplied by the number of shares of the Restructured Company to be issued upon the exercise of the Subscription Rights to Shares as determined in accordance with 3) above.

5) Exercise Period of Subscription Rights to Shares
Starting from the later of either the first date of the exercise period of this Subscription Rights to Shares or the date on which the Organizational Restructuring becomes effective and ending on the expiration date for the exercise of this Subscription Rights to Shares.

6) Matters Concerning Increase in Common Stock and Legal Capital Reserve by Issuing of Shares by the Restructured Company upon the Exercise of Subscription Rights to Shares
This is to be determined in accordance with matters concerning increase in common stock and legal capital reserve by issuing of shares upon exercise of Subscription Rights to Shares.

7) Restriction on Acquisition of Subscription Rights to Shares by Transfer
Acquisition of Subscription Rights to Shares by transfer shall be subject to the

approval of the Board of Directors of the Restructured Company (or by the majority decision of directors if such company is not a company with board of directors).

8) Reason and Conditions for Acquisition of Subscription Rights to Shares

This is to be determined in accordance with reasons and conditions for the acquisition of Subscription Rights to Shares.

Subscription Rights to Shares (B)

Date of resolution	March 29, 2012			
Classification and number of persons received	Directors and employees of the Company's overseas subsidiaries	15	Employees of the Company's overseas subsidiaries	1
Class of shares to be issued upon exercise of Subscription Rights to Shares	Common stock			
Number of shares	1,105,100 (Note 1)		103,300 (Note 1)	
Cash payment upon exercise of Subscription Rights to Shares	¥1 (Note 1)		¥1 (Note 1)	
Exercise period of Subscription Rights to Shares	A. One third of shares granted From April 20, 2014 to April 20, 2022 B. One third of shares granted From April 20, 2015 to April 20, 2022 C. One third of shares granted From April 20, 2016 to April 20, 2022		A. One third of shares granted From November 21, 2014 to November 21, 2022 B. One third of shares granted From November 21, 2015 to November 21, 2022 C. One third of shares granted From November 21, 2016 to November 21, 2022	
Conditions for exercise of Subscription Rights to Shares	(Note 2)			
Matters concerning transfer of Subscription Rights to Shares	(Note 2)			
Matters concerning collateral payment	—			
Matters concerning issuance of Subscription Rights to Shares accompanying organizational restructuring	(Note 3)			

(Notes) 1 This shall be the amount calculated by multiplying the cash payment per share issued as a result of the exercise (including the transfer of treasury stock as substitute for such issue; hereinafter the same) of each subscription right to shares (hereinafter referred to as "Exercise Price") by the number of shares to be issued upon exercise of the Subscription Rights to Shares. Exercise Price shall be ¥1 per share. If the Company splits its common stock or consolidates its common stock after the Issue Date, exercise price shall be adjusted according to the following formula. Any fraction less than ¥1 as a result of such adjustment shall be rounded up.

$$\begin{array}{c}\text{Exercise Price}\\\text{after adjustment}\end{array} = \begin{array}{c}\text{Exercise Price}\\\text{before adjustment}\end{array} \times \frac{1}{\text{Ratio of split or consolidation}}$$

Besides the above, in case the Company carries out a merger, etc., or according as other such circumstances that make it necessary to adjust the Exercise Price after issuance, the Exercise Price may be adjusted as appropriate within a necessary and reasonable range.

2 1) Subscription Rights to Shares shall not be inherited, provided however that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.

2) Subscription Rights to Shares shall not be offered for pledge or disposed of in any other way,

3) Those who received the allotment of issue of Subscription Rights to Shares may exercise all or a part of the stock options in accordance with the following classifications:

(i) Those who received the allotment of issue of Subscription Rights to Shares may not exercise any of the Subscription Rights to Shares allotted to him/her from Issue Date to the date immediately preceding the second year of the Issue Date.

(ii) Those who received the allotment of issue of Subscription Rights to Shares may exercise one-third of the Subscription Rights to Shares allotted to him/her from the second year of the Issue Date to the date immediately preceding the third year of the Issue Date (in calculating the number of Subscription Rights to Shares that would have become exercisable, any fraction less than one shall be rounded down).

(iii) Those who received the allotment of issue of Subscription Rights to Shares may exercise two-thirds (However, if a part of the Subscription Rights to Shares allotted is exercised by the third year, exercisable Subscription Rights to Shares shall be within two-thirds of the allotted Subscription Rights to Shares, including the already exercised Subscription Rights to Shares) of the Subscription Rights to Shares allotted to him/her from the third year of the Issue Date to the date immediately preceding the fourth year of the Issue Date (in calculating the number of Subscription Rights to Shares that would have become exercisable, any fraction less than one shall be rounded down).

(iv) Those who received the allotment of issue of Subscription Rights to Shares may exercise all the Subscription Rights to Shares allotted to him/her from the fourth year of the Issue Date through to the tenth year of the Issue Date.

4) Those who received the allotment of issue of Subscription Rights to Shares shall remain Directors, Executive Officers, Company Auditors or employees of the Company, or its subsidiaries or affiliates at the time of exercising such rights; provided however that, this shall not apply to cases where (i) those who received the allotment of the issue of Subscription Rights to Shares exercise Subscription Rights to Shares which are exercisable at the time of the termination of delegation or employment relationship (including a case where those who received the allotment of the issue of Subscription Rights to Shares have passed away) between them and the Company's overseas subsidiaries or affiliates with which they primarily have said delegation or employment relationship (hereinafter referred to as "Company of Primary Involvement") within 30 days from such termination, or (ii) it is allowed as an exceptional case by the Board of Directors in consideration of circumstances.

In addition, allotted Subscription Rights to Shares which are not then exercisable shall not be exercised thereafter: (a) in cases where those who received the allotment of the issue of Subscription Rights to Shares retire or leave the Company of their own accord; those who received the allotment of the issue of Subscription Rights to Shares are dismissed or displaced by the Company of Primary Involvement due to reasons imputable to them under the governing law for its incorporation; or delegation or employment relationship between those who received the allotment of the issue of Subscription Rights to Shares and the Company of Primary Involvement terminated due to death of those who received the allotment of the issue of Subscription Rights to Shares, permanent invalidity which disables them to continue to execute their duties for the Company of Primary Involvement or an affiliate under the governing law for its incorporation, or mandatory retirement, (b) in cases where those who received the allotment of the issue of Subscription Rights to Shares retire or leave the Company of their own accord because significant disadvantageous changes in the basic terms of the delegation or employment contract are unilaterally imposed on them by the Company of Primary Involvement or an affiliate thereof under the governing law for its incorporation, those who received the allotment of the issue of Subscription Rights to Shares, notwithstanding the provision in 3), may also exercise their rights with respect to allotted Subscription Rights to Shares to the extent of the number obtained by multiplying the ratio of the period from the anniversary date of the Issue Date (hereinafter referred to as “Commencement Date”) to the date of the retirement or leaving of the company (hereinafter referred to as “Date of Leaving”) against the one-year period which includes the Date of Leaving and commences on the Commencement Date by the number of Subscription Rights to Shares that would have become exercisable pursuant to the provision in 3) at the time when the said one-year period has elapsed (However, in cases where those who received the allotment of the issue of Subscription Rights to Shares retire or leave the Company on or before the second anniversary date of the Issue Date, those who received the allotment of the issue of Subscription Rights to Shares may exercise their rights with respect to allotted Subscription Rights to Shares to the extent of the number obtained by multiplying the ratio of the period from the Issue Date to the Date of Leaving against the two-year period by the number of Subscription Rights to Shares that would have become exercisable pursuant to the provision in 3) (ii) on the second year of the date of the Issue Date) (in calculating the number of Subscription Rights to Shares that would have become exercisable, any fraction less than one shall be rounded down) (However, those who received the allotment of the issue of Subscription Rights to Shares shall exercise Subscription Rights to Shares within 30 days from the date of the termination of delegation or employment relationship with the Company of Primary Involvement.), and (c) in cases where those who received the allotment of the issue of Subscription Rights to Shares are dismissed or displaced by the Company of Primary Involvement despite the lack of reasons imputable to them under the governing law for its incorporation, those who received the allotment of the issue of Subscription Rights to Shares may, notwithstanding the provision in 3), exercise all of allotted Subscription Rights to Shares that are held at the time of receiving the notification of dismissal or displacement (However, those who received the allotment of the issue of Subscription Rights to Shares shall exercise Subscription Rights to Shares within 30 days from the date of the termination of delegation or employment relationship with the Company of Primary Involvement.).

5) Notwithstanding the provisions of 3) above, in the event of a sale of all or substantially all of the assets of the business of the Company of Primary Involvement to a third party other than the Company or an affiliate of the Company of Primary Involvement under the governing law for its incorporation, or in the event of a reorganization, such as merger (except for reorganization carried out by solely involving the Company of Primary Involvement and one or more of its affiliates under the governing law for its incorporation), with respect to which all or substantially all of the persons who were the beneficial owners of the common shares of the Company of Primary Involvement immediately prior to such transaction do not, following such transaction, beneficially own directly or indirectly, more than 50% of the resulting voting rights of all shareholders of the Company of Primary Involvement (including all the voting rights of the Company of Primary Involvement or other similar rights which may be issued or transferred as a result of the exercising of the Subscription Rights to Shares of the Company of Primary Involvement), the holder of the Subscription Rights to Shares may exercise all the rights he/she holds at the time of such event, provided that such Subscription Rights to Shares are exercised immediately before such event comes into force.

6) Any acquisition of Subscription Rights to Shares by transfer shall require an approval of the Board of Directors of the Company by its resolution.

3 In the event the Company merges (limited to cases where the Company becomes a dissolving company), performs an absorption-type company split or an incorporation-type company split, or conducts a share exchange or a share transfer (hereinafter collectively

referred to as “Organizational Restructuring”), Subscription Rights to Shares of a corporation described in Article 236, Paragraph 1, Items 8-1 through 8-5 of the Companies Act (hereinafter referred to as “Restructured Company”) shall be delivered under the following conditions to each those who received the allotment of issue of Subscription Rights to Shares remaining unexercised (hereinafter referred to as “Remaining Subscription Rights to Shares”) at the time when Organizational Restructuring takes effect. In this case, the Remaining Subscription Rights to Shares will lapse and the Restructured Company will issue new Subscription Rights to Shares. However, the foregoing shall apply only to cases in which the delivery of Subscription Rights to Shares of the Restructured Company according to the following conditions is stipulated in the merger agreement, the absorption-type company split agreement, the incorporation-type company split plan, the share exchange agreement or the share transfer plan.

1) Number of Subscription Rights to Shares of the Restructured Company to be delivered
   The Restructured Company shall deliver Subscription Rights to Shares, the number of which shall equal the number of Subscription Rights to Shares held by the holder of the Remaining Subscription Rights to Shares.
2) Class of shares of the Restructured Company to be issued upon the exercise of Subscription Rights to Shares
   Shares of common stock of the Restructured Company
3) Number of shares of the Restructured Company to be issued upon the exercise of Subscription Rights to Shares
   To be decided according to class and number of shares of the Restructured Company to be issued upon the exercise of Subscription Rights to Shares and total number of Subscription Rights to Shares above after taking into consideration the conditions, etc. of the Organizational Restructuring.
4) Value of the assets to be contributed upon the exercise of Subscription Rights to Shares
   The value of the assets to be contributed upon the exercise of each Subscription Right to Shares shall be the amount paid after restructuring obtained by adjusting the Exercise Price stipulated in (Note 1) after taking into consideration the conditions, etc. of Organizational Restructuring multiplied by the number of shares of the Restructured Company to be issued upon the exercise of the Subscription Rights to Shares as determined in accordance with 3) above.
5) Exercise period of Subscription Rights to Shares
   Starting from the later of either the first date of the exercise period of this Subscription Rights to Shares or the date on which the Organizational Restructuring becomes effective and ending on the expiration date for the exercise of this Subscription Rights to Shares.
6) Matters concerning increase in common stock and legal capital reserve by issuing of shares by the Restructured Company upon the exercise of Subscription Rights to Shares
   This is to be determined in accordance with matters concerning increase in common stock and legal capital reserve by issuing of shares upon exercise of Subscription Rights to Shares.
7) Restriction on acquisition of Subscription Rights to Shares by transfer
   Acquisition of Subscription Rights to Shares by transfer shall be subject to the approval of the Board of Directors of the Restructured Company (or by the majority decision of directors if such company is not a company with board of directors).
8) Reason and conditions for acquisition of Subscription Rights to Shares
   This is to be determined in accordance with reasons and conditions for the acquisition of Subscription Rights to Shares.

Date of resolution	March 28, 2013			
Classification and number of persons received	Employees of the Company and Directors, Company Auditors and employees of the Company's subsidiaries	4,645	Employees of the Company's subsidiaries	1
Class of shares to be issued upon exercise of Subscription Rights to Shares	Common stock			
Number of shares	1,146,300 (Note 1)		12,000 (Note 1)	
Cash payment upon exercise of Subscription Rights to Shares	¥ 1 (Note 1)			
Exercise period of Subscription Rights to Shares	From March 29, 2017 to March 27, 2023			
Conditions for exercise of Subscription Rights to Shares	(Note 2)			
Matters concerning transfer of Subscription Rights to Shares	(Note 2)			
Matters concerning collateral payment	—			
Matters concerning issuance of Subscription Rights to Shares accompanying organizational restructuring	(Note 3)			

(Notes) 1 This shall be the amount calculated by multiplying the cash payment per share issued as a result of the exercise (including the transfer of treasury stock as substitute for such issue; hereinafter the same) of each Subscription Rights to Shares (hereinafter referred to as "Exercise Price") by the number of shares to be issued upon exercise of the Subscription Rights to Shares. Exercise Price shall be ¥1 per share. If the Company splits its common stock or consolidates its common stock after the Issue Date, exercise price shall be adjusted according to the following formula. Any fraction less than ¥1 as a result of such adjustment shall be rounded up.

$$\begin{array}{c}\text{Exercise Price}\\\text{after adjustment}\end{array} = \begin{array}{c}\text{Exercise Price}\\\text{before adjustment}\end{array} \times \frac{1}{\text{Ratio of split or consolidation}}$$

Besides the above, in case the Company carries out a merger, etc., or according as other such circumstances that make it necessary to adjust the Exercise Price after issuance, the Exercise Price may be adjusted as appropriate within a necessary and reasonable range.

2 1) Those who received the allotment of the issue of Subscription Rights to Shares shall remain Directors, Executive Officers, Company Auditors or employees of the Company, or its subsidiaries or associates at the time of exercising such rights, provided however that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.

2) Subscription Rights to Shares shall not be inherited, provided however that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.

3) Subscription Rights to Shares shall not be offered for pledge or disposed of in any other way,

4) Any acquisition of Subscription Rights to Shares by transfer shall require an approval of the Board of Directors of the Company by its resolution.

3 In the event the Company merges (limited to cases where the Company becomes a dissolving company), performs an absorption-type company split or an incorporation-type company split, or conducts a share exchange or a share transfer (hereinafter collectively referred to as "Organizational Restructuring"), Subscription Rights to Shares of a corporation described in Article 236, Paragraph 1, Items 8-1 through 8-5 of the Companies Act (hereinafter referred to as "Restructured Company") shall be delivered under the following conditions to each those who received the allotment of issue of Subscription Rights to Shares remaining unexercised (hereinafter referred to as "Remaining Subscription Rights to Shares") at the time when Organizational Restructuring takes effect. In this case, the Remaining Subscription Rights to Shares will lapse and the Restructured Company will issue new Subscription Rights to Shares. However, the foregoing shall apply only to cases in which the delivery of Subscription Rights to Shares of the Restructured Company according to the following conditions is stipulated in the merger agreement, the absorption-type company split agreement, the incorporation-type company split plan, the share exchange agreement or the share transfer plan.

1) Number of Subscription Rights to Shares of the Restructured Company to be Delivered
The Restructured Company shall deliver Subscription Rights to Shares, the number of which shall equal the number of Subscription Rights to Shares held by the holder of the Remaining Subscription Rights to Shares.

2) Class of Shares of the Restructured Company to be Issued upon the Exercise of Subscription Rights to Shares
Shares of common stock of the Restructured Company

3) Number of Shares of the Restructured Company to be Issued upon the Exercise of Subscription Rights to Shares
To be decided according to class and number of shares of the Restructured Company to be issued upon the exercise of Subscription Rights to Shares and total number of Subscription Rights to Shares above after taking into consideration the conditions, etc. of the Organizational Restructuring.

4) Value of the Assets to be Contributed upon the Exercise of Subscription Rights to Shares
The value of the assets to be contributed upon the exercise of each Subscription Right to Shares shall be the amount paid after restructuring obtained by adjusting the Exercise Price stipulated in (Note 1) after taking into consideration the conditions, etc. of Organizational Restructuring multiplied by the number of shares of the Restructured Company to be issued upon the exercise of the Subscription Rights to Shares as determined in accordance with 3) above.

5) Exercise Period of Subscription Rights to Shares
Starting from the later of either the first date of the exercise period of this Subscription Rights to Shares or the date on which the Organizational Restructuring becomes effective and ending on the expiration date for the exercise of this Subscription Rights to Shares.

6) Matters Concerning Increase in Common Stock and Legal Capital Reserve by Issuing of Shares by the Restructured Company upon the Exercise of Subscription Rights to Shares
This is to be determined in accordance with matters concerning increase in common stock and legal capital reserve by issuing of shares upon exercise of Subscription Rights to Shares.

7) Restriction on Acquisition of Subscription Rights to Shares by Transfer
Acquisition of Subscription Rights to Shares by transfer shall be subject to the approval of the Board of Directors of the Restructured Company (or by the majority decision of directors if such company is not a company with board of directors).

8) Reason and Conditions for Acquisition of Subscription Rights to Shares
This is to be determined in accordance with reasons and conditions for the acquisition of Subscription Rights to Shares.

Date of resolution	March 28, 2014
Classification and number of persons received	Employees of the Company and Directors, Executive Officers, Company Auditors and employees of the Company's subsidiaries
Class of shares to be issued upon exercise of Subscription Rights to Shares	Common stock
Number of shares	Maximum 7,000,000 (Note 1)
Cash payment upon exercise of Subscription Rights to Shares	(Note 1)
Exercise period of Subscription Rights to Shares	From March 29, 2018 to March 27, 2024
Conditions for exercise of Subscription Rights to Shares	(Note 2)
Matters concerning transfer of Subscription Rights to Shares	(Note 2)
Matters concerning collateral payment	—
Matters concerning issuance of Subscription Rights to Shares accompanying organizational restructuring	(Note 3)

(Notes) 1 1) Cash payment for Subscription Rights to Shares

No cash payment is required for Subscription Rights to Shares.

2) Value of the assets to be contributed upon exercise of Subscription Rights to Shares

The Price for one Subscription Rights to Shares shall be one yen.

2 1) Those who received the allotment of the issue of Subscription Rights to Shares (hereinafter referred to as "Holders of Subscription Rights to Shares") shall remain Directors, Executive Officers, Company Auditors or employees of the Company, or its subsidiaries or associates at the time of exercising such rights, provided however that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.

2) Subscription Rights to Shares shall not be inherited, provided however that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.

3) Subscription Rights to Shares shall not be offered for pledge or disposed of in any other way,

4) The Holders of Subscription Rights to Shares have duties to pay all taxes (including but not limited to income tax, social security contributions, pensions, and employment insurance premium) specified by laws and regulations in relation to Stock options and shares. In the case where the Company and its subsidiaries and affiliates is obliged to levy income tax, etc., the relevant company obliged to levy income tax, etc. shall be able to levy tax from such Holders of Subscription Rights to Shares by the methods listed below.

i) Receipt by Cash

ii) Appropriation of shares owned by the Holders of Subscription Rights to Shares

iii) Deduction from salaries, bonuses, etc. of the Holders of Subscription Rights to Shares

iv) Other methods specified by the Company

5) Any acquisition of Subscription Rights to Shares by transfer shall require an approval of the Board of Directors of the Company by its resolution.

3 In the event the Company merges (limited to cases where the Company becomes a dissolving company), performs an absorption-type company split or an incorporation-type

company split, or conducts a share exchange or a share transfer (hereinafter collectively referred to as “Organizational Restructuring”), Subscription Rights to Shares of a corporation described in Article 236, Paragraph 1, Items 8-1 through 8-5 of the Companies Act (hereinafter referred to as “Restructured Company”) shall be delivered under the following conditions to each those who received the allotment of issue of Subscription Rights to Shares remaining unexercised (hereinafter referred to as “Remaining Subscription Rights to Shares”) at the time when Organizational Restructuring takes effect. In this case, the Remaining Subscription Rights to Shares will lapse and the Restructured Company will issue new Subscription Rights to Shares. However, the foregoing shall apply only to cases in which the delivery of Subscription Rights to Shares of the Restructured Company according to the following conditions is stipulated in the merger agreement, the absorption-type company split agreement, the incorporation-type company split plan, the share exchange agreement or the share transfer plan.

1) Number of Subscription Rights to Shares of the Restructured Company to be Delivered
   The Restructured Company shall deliver Subscription Rights to Shares, the number of which shall equal the number of Subscription Rights to Shares held by the holder of the Remaining Subscription Rights to Shares.
2) Class of Shares of the Restructured Company to be Issued upon the Exercise of Subscription Rights to Shares
   Shares of common stock of the Restructured Company
3) Number of Shares of the Restructured Company to be Issued upon the Exercise of Subscription Rights to Shares
   To be decided according to class and number of shares of the Restructured Company to be issued upon the exercise of Subscription Rights to Shares and total number of Subscription Rights to Shares above after taking into consideration the conditions, etc. of the Organizational Restructuring.
4) Value of the Assets to be Contributed upon the Exercise of Subscription Rights to Shares
   The value of the assets to be contributed upon the exercise of each Subscription Right to Shares shall be the amount paid after restructuring obtained by adjusting the Exercise Price stipulated in (Note 1) after taking into consideration the conditions, etc. of Organizational Restructuring multiplied by the number of shares of the Restructured Company to be issued upon the exercise of the Subscription Rights to Shares as determined in accordance with 3) above.
5) Exercise Period of Subscription Rights to Shares
   Starting from the later of either the first date of the exercise period of this Subscription Rights to Shares or the date on which the Organizational Restructuring becomes effective and ending on the expiration date for the exercise of this Subscription Rights to Shares.
6) Matters Concerning Increase in Common Stock and Legal Capital Reserve by Issuing of Shares by the Restructured Company upon the Exercise of Subscription Rights to Shares
   This is to be determined in accordance with matters concerning increase in common stock and legal capital reserve by issuing of shares upon exercise of Subscription Rights to Shares.
7) Restriction on Acquisition of Subscription Rights to Shares by Transfer
   Acquisition of Subscription Rights to Shares by transfer shall be subject to the approval of the Board of Directors of the Restructured Company (or by the majority decision of directors if such company is not a company with board of directors).
8) Reason and Conditions for Acquisition of Subscription Rights to Shares
   This is to be determined in accordance with reasons and conditions for the acquisition of Subscription Rights to Shares.

Date of resolution	March 27, 2015
Classification and number of persons received	Employees of the Company and Directors, Executive Officers and employees of the Company's subsidiaries
Class of shares to be issued upon exercise of Subscription Rights to Shares	Common stock
Number of shares	Maximum 9,000,000 (Note 1)
Cash payment upon exercise of Subscription Rights to Shares	(Note 2)
Exercise period of Subscription Rights to Shares	The exercise period shall be from the date on which one year has passed from the issuance of the Subscription Rights to Shares (hereinafter "date of issuance") to the date on which ten years have passed from the date of issuance. If the final day of the exercise period falls on a holiday of the Company, the final day shall be the working day immediately preceding the final day.
Conditions for exercise of Subscription Rights to Shares	(Note 3)
Matters concerning transfer of Subscription Rights to Shares	(Note 3)
Matters concerning collateral payment	—
Matters concerning issuance of Subscription Rights to Shares accompanying organizational restructuring	(Note 4)

(Notes) 1 If the Company splits its common stock (including allotment of its common stock without compensation; hereinafter the same shall apply) or consolidates its common stock, the number of shares to be issued upon exercise of each unit of such Subscription Rights to Shares shall be adjusted according to the following formula; provided that such adjustment shall be made only to those remain unexercised or uncanceled at the time of such adjustment and; provided, further, that if any fraction less than one share arises as a result of such adjustment, such fraction shall be discarded.

$$\text{Number of shares after adjustment} = \text{Number of shares before adjustment} \times \text{Ratio of split or consolidation}$$

In addition, if the Company carries out a merger, a company split, share exchange, share transfer, etc. that makes it necessary to adjust the number of shares, the number of shares shall be adjusted within a reasonable range, taking into account the conditions of the merger, company split, share exchange, share transfer, etc.

2 1) Cash payment for Subscription Rights to Shares
No cash payment is required for Subscription Rights to Shares.
2) Value of the assets to be contributed upon exercise of Subscription Rights to Shares
The Price for one Subscription Rights to Shares shall be one yen.

3 1) Those who received the allotment of the issue of Subscription Rights to Shares (hereinafter "Holders of Subscription Rights to Shares") shall remain Directors, Executive Officers, Company Auditors or employees of the Company, or its subsidiaries or affiliates at the time of exercising such rights; provided, however, that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.
2) Subscription Rights to Shares shall not be inherited; provided, however, that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.
3) Subscription Rights to Shares shall not be offered for pledge or disposed of in any other way.
4) Subscription Rights to Shares may be exercised by the Holder of Subscription Rights

to Shares, in whole or in part, according to the following categories.

i) The entire allotment of Subscription Rights to Shares shall not be exercised prior to the date on which one year has passed from the date of issuance.

ii) 15% of the allotment of Subscription Rights to Shares may be exercised from the date on which one year has passed from the date of issuance to the date prior to the date on which two years have passed from the date of issuance (if a fraction less than one unit arises in the number of exercisable Subscription Rights to Shares, such fraction shall be discarded).

iii) 35% of the allotment of Subscription Rights to Shares (if a portion of the allotment of Subscription Rights to Shares had been exercised prior to the date on which two years have passed from the date of issuance, the total amount exercisable including the previously exercised portion shall be 35%) may be exercised from the date on which two years have passed from the date of issuance to the date prior to the date on which three years have passed from the date of issuance (if a fraction less than one unit arises in the number of exercisable Subscription Rights to Shares, such fraction shall be discarded).

iv) 65% percent of the allotment of Subscription Rights to Shares (if a portion of the allotment of Subscription Rights to Shares had been exercised prior to the date on which three years have passed from the date of issuance, the total amount exercisable including the previously exercised portion shall be 65%) may be exercised from the date on which three years have passed from the date of issuance to the date prior to the date on which four years have passed from the date of issuance (if a fraction less than one unit arises in the number of exercisable Subscription Rights to Shares, such fraction shall be discarded).

v) The entire allotment of Subscription Rights to Shares may be exercised from the date on which four years have passed from the date of issuance to the date on which ten years have passed from the date of issuance.

5) The Holders of Subscription Rights to Shares have duties to pay all taxes (including but not limited to income tax, social security contributions, pensions, and employment insurance premium) specified by laws and regulations in relation to stock options and shares. In the case where the Company and its subsidiaries and affiliates is obliged to levy income tax, etc., the relevant company obliged to levy income tax, etc. shall be able to levy tax from such Holders of Subscription Rights to Shares by the methods listed below.

i) Receipt by cash

ii) Appropriation of shares owned by the Holders of Subscription Rights to Shares

iii) Deduction from salaries, bonuses, etc. of the Holders of Subscription Rights to Shares

iv) Other methods specified by the Company

6) Any acquisition of Subscription Rights to Shares by transfer shall require an approval of the Board of Directors of the Company by its resolution.

4 In the event the Company merges (limited to cases where the Company becomes a dissolving company), performs an absorption-type company split or an incorporation-type company split, or conducts a share exchange or a share transfer (hereinafter collectively “Organizational Restructuring”), Subscription Rights to Shares of a corporation described in Article 236, Paragraph 1, Items 8.1 through 8.5 of the Companies Act (hereinafter “Restructured Company”) shall be delivered under the following conditions to Holders of Subscription Rights to Shares remaining unexercised (hereinafter “Remaining Subscription Rights to Shares”) at the time when Organizational Restructuring takes effect. In this case, the Remaining Subscription Rights to Shares will lapse and the Restructured Company will issue new Subscription Rights to Shares. However, the

foregoing shall apply only to cases in which the delivery of Subscription Rights to Shares of the Restructured Company according to the following conditions is stipulated in the merger agreement, the absorption-type company split agreement, the incorporation-type company split plan, the share exchange agreement or the share transfer plan.

1) Number of Subscription Rights to Shares of the Restructured Company to be delivered
   The Restructured Company shall deliver Subscription Rights to Shares, the number of which shall equal the number of Subscription Rights to Shares held by the holder of the Remaining Subscription Rights to Shares.
2) Class of shares of the Restructured Company to be issued upon the exercise of Subscription Rights to Shares
   Shares of common stock of the Restructured Company
3) Number of shares of the Restructured Company to be issued upon the exercise of Subscription Rights to Shares
   To be decided according to class and number of shares of the Restructured Company to be issued upon the exercise of Subscription Rights to Shares and total number of Subscription Rights to Shares above after taking into consideration the conditions, etc. of the Organizational Restructuring.
4) Value of the assets to be contributed upon the exercise of Subscription Rights to Shares
   The value of the assets to be contributed upon the exercise of each Subscription Right to Shares shall be the amount paid after restructuring obtained by adjusting the Exercise Price stipulated in (Note 2) after taking into consideration the conditions etc. of Organizational Restructuring multiplied by the number of shares of the Restructured Company to be issued upon the exercise of the Subscription Rights to Shares as determined in accordance with 3) above.
5) Exercise period of Subscription Rights to Shares
   Starting from the later of either the first date of the exercise period of this Subscription Rights to Shares or the date on which the Organizational Restructuring becomes effective and ending on the expiration date for the exercise of this Subscription Rights to Shares.
6) Matters concerning increase in capital stock and capital reserve to be increased by issuing of shares by the Restructured Company upon the exercise of Subscription Rights to Shares
   This is to be determined in accordance with matters concerning increase in common stock and legal capital reserve by issuing of shares upon exercise of Subscription Rights to Shares.
7) Restriction on acquisition of Subscription Rights to Shares by transfer
   Acquisition of Subscription Rights to Shares by transfer shall be subject to the approval of the Board of Directors of the Restructured Company (or by the majority decision of Directors if such company is not a company with Board of Directors).
8) Reasons and conditions for the acquisition of Subscription Rights to Shares
   This is to be determined in accordance with reasons and conditions for the acquisition of Subscription Rights to Shares.

Date of resolution	March 27, 2015
Classification and number of persons received	Outside Directors of the Company's subsidiaries
Class of shares to be issued upon exercise of Subscription Rights to Shares	Common stock
Number of shares	Maximum 100,000 (Note 1)
Cash payment upon exercise of Subscription Rights to Shares	(Note 2)
Exercise period of Subscription Rights to Shares	From March 28, 2019 to March 26, 2025
Conditions for exercise of Subscription Rights to Shares	(Note 3)
Matters concerning transfer of Subscription Rights to Shares	(Note 3)
Matters concerning collateral payment	—
Matters concerning issuance of Subscription Rights to Shares accompanying organizational restructuring	(Note 4)

(Notes) 1 If the Company splits its common stock (including allotment of its common stock without compensation; hereinafter the same shall apply) or consolidates its common stock, the number of shares to be issued upon exercise of each unit of such Subscription Rights to Shares shall be adjusted according to the following formula; provided that such adjustment shall be made only to those remain unexercised or uncanceled at the time of such adjustment and; provided, further, that if any fraction less than one share arises as a result of such adjustment, such fraction shall be discarded.

$$\text{Number of shares after adjustment} = \text{Number of shares before adjustment} \times \text{Ratio of split or consolidation}$$

In addition, if the Company carries out a merger, a company split, share exchange, share transfer, etc. that makes it necessary to adjust the number of shares, the number of shares shall be adjusted within a reasonable range, taking into account the conditions of the merger, company split, share exchange, share transfer, etc.

2 1) Cash payment for Subscription Rights to Shares
No cash payment is required for Subscription Rights to Shares.

2) Value of the assets to be contributed upon exercise of Subscription Rights to Shares
The Price for one Subscription Rights to Shares shall be one yen.

3 1) Those who received the allotment of the issue of Subscription Rights to Shares (hereinafter "Holders of Subscription Rights to Shares") shall remain Directors, Executive Officers, Company Auditors or employees of the Company, or its subsidiaries or affiliates at the time of exercising such rights; provided, however, that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.

2) Subscription Rights to Shares shall not be inherited; provided, however, that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.

3) Subscription Rights to Shares shall not be offered for pledge or disposed of in any other way.

4) The Holders of Subscription Rights to Shares have duties to pay all taxes (including but not limited to income tax, social security contributions, pensions, and employment insurance premium) specified by laws and regulations in relation to stock options and shares. In the case where the Company and its subsidiaries and affiliates is obliged

to levy income tax, etc., the relevant company obliged to levy income tax, etc. shall be able to levy tax from such Holders of Subscription Rights to Shares by the methods listed below.

i) Receipt by cash

ii) Appropriation of shares owned by the Holders of Subscription Rights to Shares

iii) Deduction from salaries, bonuses, etc. of the Holders of Subscription Rights to Shares

iv) Other methods specified by the Company

5) Any acquisition of Subscription Rights to Shares by transfer shall require an approval of the Board of Directors of the Company by its resolution.

4 In the event the Company merges (limited to cases where the Company becomes a dissolving company), performs an absorption-type company split or an incorporation-type company split, or conducts a share exchange or a share transfer (hereinafter collectively “Organizational Restructuring”), Subscription Rights to Shares of a corporation described in Article 236, Paragraph 1, Items 8.1 through 8.5 of the Companies Act (hereinafter “Restructured Company”) shall be delivered under the following conditions to Holders of Subscription Rights to Shares remaining unexercised (hereinafter “Remaining Subscription Rights to Shares”) at the time when Organizational Restructuring takes effect. In this case, the Remaining Subscription Rights to Shares will lapse and the Restructured Company will issue new Subscription Rights to Shares. However, the foregoing shall apply only to cases in which the delivery of Subscription Rights to Shares of the Restructured Company according to the following conditions is stipulated in the merger agreement, the absorption-type company split agreement, the incorporation-type company split plan, the share exchange agreement or the share transfer plan.

1) Number of Subscription Rights to Shares of the Restructured Company to be delivered
The Restructured Company shall deliver Subscription Rights to Shares, the number of which shall equal the number of Subscription Rights to Shares held by the holder of the Remaining Subscription Rights to Shares.

2) Class of shares of the Restructured Company to be issued upon the exercise of Subscription Rights to Shares
Shares of common stock of the Restructured Company

3) Number of shares of the Restructured Company to be issued upon the exercise of Subscription Rights to Shares
To be decided according to class and number of shares of the Restructured Company to be issued upon the exercise of Subscription Rights to Shares and total number of Subscription Rights to Shares above after taking into consideration the conditions, etc. of the Organizational Restructuring.

4) Value of the assets to be contributed upon the exercise of Subscription Rights to Shares
The value of the assets to be contributed upon the exercise of each Subscription Right to Shares shall be the amount paid after restructuring obtained by adjusting the Exercise Price stipulated in (Note 2) after taking into consideration the conditions etc. of Organizational Restructuring multiplied by the number of shares of the Restructured Company to be issued upon the exercise of the Subscription Rights to Shares as determined in accordance with 3) above.

5) Exercise period of Subscription Rights to Shares
Starting from the later of either the first date of the exercise period of this Subscription Rights to Shares or the date on which the Organizational Restructuring becomes effective and ending on the expiration date for the exercise of this Subscription Rights to Shares.

6) Matters concerning increase in capital stock and capital reserve to be increased by issuing of shares by the Restructured Company upon the exercise of Subscription

Rights to Shares

This is to be determined in accordance with matters concerning increase in common stock and legal capital reserve by issuing of shares upon exercise of Subscription Rights to Shares.

7) Restriction on acquisition of Subscription Rights to Shares by transfer

Acquisition of Subscription Rights to Shares by transfer shall be subject to the approval of the Board of Directors of the Restructured Company (or by the majority decision of Directors if such company is not a company with Board of Directors).

8) Reasons and conditions for the acquisition of Subscription Rights to Shares

This is to be determined in accordance with reasons and conditions for the acquisition of Subscription Rights to Shares.

Date of resolution	March 27, 2015
Classification and number of persons received	Company Auditors of the Company's subsidiaries
Class of shares to be issued upon exercise of Subscription Rights to Shares	Common stock
Number of shares	Maximum 300,000 (Note 1)
Cash payment upon exercise of Subscription Rights to Shares	(Note 2)
Exercise period of Subscription Rights to Shares	From March 28, 2019 to March 26, 2025
Conditions for exercise of Subscription Rights to Shares	(Note 3)
Matters concerning transfer of Subscription Rights to Shares	(Note 3)
Matters concerning collateral payment	—
Matters concerning issuance of Subscription Rights to Shares accompanying organizational restructuring	(Note 4)

(Notes) 1 If the Company splits its common stock (including allotment of its common stock without compensation; hereinafter the same shall apply) or consolidates its common stock, the number of shares to be issued upon exercise of each unit of such Subscription Rights to Shares shall be adjusted according to the following formula; provided that such adjustment shall be made only to those remain unexercised or uncanceled at the time of such adjustment and; provided, further, that if any fraction less than one share arises as a result of such adjustment, such fraction shall be discarded.

$$\text{Number of shares after adjustment} = \text{Number of shares before adjustment} \times \text{Ratio of split or consolidation}$$

In addition, if the Company carries out a merger, a company split, share exchange, share transfer, etc. that makes it necessary to adjust the number of shares, the number of shares shall be adjusted within a reasonable range, taking into account the conditions of the merger, company split, share exchange, share transfer, etc.

2 1) Cash payment for Subscription Rights to Shares
No cash payment is required for Subscription Rights to Shares.

2) Value of the assets to be contributed upon exercise of Subscription Rights to Shares
The Price for one Subscription Rights to Shares shall be one yen.

3 1) Those who received the allotment of the issue of Subscription Rights to Shares (hereinafter "Holders of Subscription Rights to Shares") shall remain Directors, Executive Officers, Company Auditors or employees of the Company, or its subsidiaries or affiliates at the time of exercising such rights; provided, however, that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.

2) Subscription Rights to Shares shall not be inherited; provided, however, that exceptional treatment may be allowed in this regard by the Board of Directors in consideration of circumstances.

3) Subscription Rights to Shares shall not be offered for pledge or disposed of in any other way.

4) The Holders of Subscription Rights to Shares have duties to pay all taxes (including but not limited to income tax, social security contributions, pensions, and employment insurance premium) specified by laws and regulations in relation to stock options and shares. In the case where the Company and its subsidiaries and affiliates is obliged

to levy income tax, etc., the relevant company obliged to levy income tax, etc. shall be able to levy tax from such Holders of Subscription Rights to Shares by the methods listed below.

i) Receipt by cash

ii) Appropriation of shares owned by the Holders of Subscription Rights to Shares

iii) Deduction from salaries, bonuses, etc. of the Holders of Subscription Rights to Shares

iv) Other methods specified by the Company

5) Any acquisition of Subscription Rights to Shares by transfer shall require an approval of the Board of Directors of the Company by its resolution.

4 In the event the Company merges (limited to cases where the Company becomes a dissolving company), performs an absorption-type company split or an incorporation-type company split, or conducts a share exchange or a share transfer (hereinafter collectively "Organizational Restructuring"), Subscription Rights to Shares of a corporation described in Article 236, Paragraph 1, Items 8.1 through 8.5 of the Companies Act (hereinafter "Restructured Company") shall be delivered under the following conditions to Holders of Subscription Rights to Shares remaining unexercised (hereinafter "Remaining Subscription Rights to Shares") at the time when Organizational Restructuring takes effect. In this case, the Remaining Subscription Rights to Shares will lapse and the Restructured Company will issue new Subscription Rights to Shares. However, the foregoing shall apply only to cases in which the delivery of Subscription Rights to Shares of the Restructured Company according to the following conditions is stipulated in the merger agreement, the absorption-type company split agreement, the incorporation-type company split plan, the share exchange agreement or the share transfer plan.

1) Number of Subscription Rights to Shares of the Restructured Company to be delivered
The Restructured Company shall deliver Subscription Rights to Shares, the number of which shall equal the number of Subscription Rights to Shares held by the holder of the Remaining Subscription Rights to Shares.

2) Class of shares of the Restructured Company to be issued upon the exercise of Subscription Rights to Shares
Shares of common stock of the Restructured Company

3) Number of shares of the Restructured Company to be issued upon the exercise of Subscription Rights to Shares
To be decided according to class and number of shares of the Restructured Company to be issued upon the exercise of Subscription Rights to Shares and total number of Subscription Rights to Shares above after taking into consideration the conditions, etc. of the Organizational Restructuring.

4) Value of the assets to be contributed upon the exercise of Subscription Rights to Shares
The value of the assets to be contributed upon the exercise of each Subscription Right to Shares shall be the amount paid after restructuring obtained by adjusting the Exercise Price stipulated in (Note 2) after taking into consideration the conditions etc. of Organizational Restructuring multiplied by the number of shares of the Restructured Company to be issued upon the exercise of the Subscription Rights to Shares as determined in accordance with 3) above.

5) Exercise period of Subscription Rights to Shares
Starting from the later of either the first date of the exercise period of this Subscription Rights to Shares or the date on which the Organizational Restructuring becomes effective and ending on the expiration date for the exercise of this Subscription Rights to Shares.

6) Matters concerning increase in capital stock and capital reserve to be increased by issuing of shares by the Restructured Company upon the exercise of Subscription

Rights to Shares
This is to be determined in accordance with matters concerning increase in common stock and legal capital reserve by issuing of shares upon exercise of Subscription Rights to Shares.

7) Restriction on acquisition of Subscription Rights to Shares by transfer
Acquisition of Subscription Rights to Shares by transfer shall be subject to the approval of the Board of Directors of the Restructured Company (or by the majority decision of Directors if such company is not a company with Board of Directors).

8) Reasons and conditions for the acquisition of Subscription Rights to Shares
This is to be determined in accordance with reasons and conditions for the acquisition of Subscription Rights to Shares.

2. Status of Acquisition of Treasury Stock, etc.

Class of stocks, etc. Acquisition of common stock

(1) Status of the Acquisition of Treasury Stock Resolved at Shareholders' Meetings

Not applicable.

(2) Status of the Acquisition of Treasury Stock Resolved at the Meetings of the Board of Directors

Not applicable.

(3) Details of the Acquisition of Treasury Stock not Based on the Resolutions of Shareholders' Meetings or the Resolutions of the Meetings of the Board of Directors

Not applicable.

(4) Status of the Disposition and Holding of Acquired Treasury Stock

Classification	Current fiscal year		Current period	
	Number of shares (shares)	Total disposition amount (Millions of Yen)	Number of shares (shares)	Total disposition amount (Millions of Yen)
Acquired treasury stock for which subscribers were solicited	—	—	—	—
Acquired treasury stock that was cancelled	—	—	—	—
Acquired Treasury stock transferred due to merger, stock exchange or company split	—	—	—	—
Others (—)	—	—	—	—
Number of treasury stock held	6,008,089	—	6,008,089	—

(Note) The number of shares of treasury stock acquired during the current period does not include the number of shares due to purchase of shares below unit during the period from March 1, 2015 to the filing date of this securities report.

3. Basic Policy on Dividends

Under its basic policy for return of profit, the Company has constantly kept 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 ¥4.5 per share (¥4 per share for the previous fiscal year including ¥1 of commemorative dividend), by the resolution of the meeting of the Board of Directors held on February 12, 2015, in accordance with the aforementioned basic policy.

As a general rule of the Company, distribution of dividends of surplus is decided by the Board of Directors, and payment in principle is made once a year in the form of year-end dividends. Payment of dividends in accordance with the provisions of Article 459, Paragraph 1 of the Companies Act shall be subject to the flexible judgment allowing for the management circumstance and other factors.

(Note) Payment of dividends based on record date for the current fiscal year is as follows.

Resolution date	Total dividend amount (Millions of Yen)	Dividend per share (Yen)
February 12, 2015 Resolution at the Meeting of the Board of Directors	5,952	4.50

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

Fiscal period	14th	15th	16th	17th	18th
Year-end	December 2010	December 2011	December 2012	December 2013	December 2014
Dividend per share (yen)	2.00	2.50	3.00	4.00	4.50

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

4. Changes in Share Prices

(1) The Highest and Lowest Share Prices by Fiscal Year during the Recent Five Years

Fiscal period	14th	15th	16th	17th	18th
Year-end	December 2010	December 2011	December 2012	December 2013	December 2014
Highest (yen)	74,300	94,800	912	1,637 *1,589	1,843
Lowest (yen)	56,200	61,300	641	672 *1,450	1,130

(Notes) 1 The above highest and lowest prices of the Company's share prices are recorded on the JASDAQ Securities Exchange for the period before March 31, 2010, on the Osaka Securities Exchange (JASDAQ market) for the period from April 1, 2010 to October 11, 2010, the Osaka Securities Exchange JASDAQ (standard) for the period from October 12, 2010 to July 15, 2013, the Tokyo Stock Exchange JASDAQ (standard) for the period from July 16, 2013 to December 2, 2013, and the First Section of the Tokyo Stock Exchange for the period since December 3, 2013.

2 Although the Company conducted the share split (a 100-for-1 share split on July 1, 2012 based on the resolution at the Board of Directors on February 20, 2012) during the 16th fiscal year, the highest and lowest prices of the fiscal year are stated on the assumption that the Company had conducted such share split at the beginning of the fiscal year.

3 * marks indicate the highest and lowest prices recorded on the First Section of the Tokyo

Stock Exchange. The Company changed the listing of its shares to the First Section of the Tokyo Stock Exchange as of December 3, 2013.

(2) The Highest and Lowest Share Prices by Month during the Recent Six Months

Month	July 2014	August	September	October	November	December
Highest (yen)	1,405	1,383	1,380	1,252	1,657	1,749
Lowest (yen)	1,313	1,276	1,234	1,130	1,260	1,508

(Note) The above highest and lowest prices of the Company's shares are recorded on the First Section of the Tokyo Stock Exchange.

5. Directors

Title	Position	Name	Date of birth	Career summary		Term	Number of shares of the Company held (Thousands of shares)
Representative Director	Chairman and President and Chief Executive Officer	Hiroshi Mikitani	March 11, 1965	April 1988	Joined The Industrial Bank of Japan, Limited	March 2015 to March 2016	176,036
				May 1993	Received MBA from Harvard Business School		
				February 1996	President and Representative Director (currently Representative Partner) of Crimson Group, Inc. (currently Crimson Group, LLC.) (current position)		
				February 1997	Founder and President and Representative Director of the Company		
				February 2001	Chairman and President and Representative Director of the Company (current position)		
				March 2004	Chief Executive Officer of the Company (current position)		
				April 2006	Chairman and Representative Director of Crimson Football Club, Inc. (current position)		
				January 2008	Chairman and Representative Director of Rakuten Baseball, Inc.		
				February 2010	Representative Director of Japan e-business Association (currently Japan Association of New Economy) (current position)		
				November 2010	Director (President of Board of Directors) of PRICEMINISTER S.A.S. (current position)		
				October 2011	Chairman of Tokyo Philharmonic Orchestra (current position)		
				January 2012	Director of Kobo Inc. (currently Rakuten Kobo Inc.)		
				August 2012	Chairman and Representative Director and team owner of Rakuten Baseball, Inc. (current position)		
				January 2014	Director (Chairman) of Kobo Inc. (currently Rakuten Kobo Inc.) (current position)		

Title	Position	Name	Date of birth	Career summary		Term	Number of shares of the Company held (Thousands of shares)
Representative Director	Executive Vice President Executive Director of Digital Content and Communication Business Office	Toru Shimada	March 3, 1965	April 1987	Joined RECRUIT CO., LTD.	March 2015 to March 2016	487
				June 1989	Founded INTELLIGENCE, LTD		
				September 1989	Director of INTELLIGENCE, LTD		
				November 2004	Vice President and Director of Rakuten Baseball, Inc.		
				December 2004	President and Representative Director of Rakuten Baseball, Inc.		
				March 2005	Director of the Company Executive Officer of the Company		
				March 2006	Managing Executive Officer of the Company		
				January 2008	President and Representative Director and team owner of Rakuten Baseball, Inc.		
				August 2014	Executive Vice President Executive Officer of the Company (current position)		
				October 2014	Executive Director of Digital Contents and Communication Business Office of the Company (current position)		
				November 2014	Representative Director of the Company (current position)		
Representative Director	Executive Vice President Chief Information Officer and Rakuten Mobile business unit officer	Yasufumi Hirai	November 17, 1960	April 1983	Joined IBM Japan Ltd.	March 2015 to March 2016	—
				January 2001	Director, Manager of the Software Division of IBM Japan Ltd.		
				July 2002	Vice President of the Software Group of International Business Machines Corporation (U.S.)		
				March 2003	Joined Microsoft Co., Ltd. (currently Microsoft Japan Co., Ltd.)		
				May 2003	Director of Microsoft Co., Ltd.		
				July 2006	Senior Managing Executive Officer of Microsoft Co., Ltd.		
				March 2008	Senior Vice President of Cisco Systems G.K.		
				August 2010	President and General Manager of Cisco Systems G.K.		
				October 2012	Senior Vice President of Cisco Systems, Inc.		
				February 2015	Executive Vice President Executive Officer of the Company (current position)		
				March 2015	Representative Director of the Company (current position)		

Title	Position	Name	Date of birth	Career summary		Term	Number of shares of the Company held (Thousands of shares)
Representative Director	Executive Vice President Executive Director of Finance Business	Masayuki Hosaka	July 31, 1954	April 1980 December 2003 May 2005 February 2006 March 2007 April 2009 April 2012 February 2013 January 2014 March 2014	Joined ORIX Credit Corporation General Manager Personal Finance Department of the Company Executive Officer of the Company President and Representative Director of Rakuten Credit, Inc. (currently Rakuten Card Co., Ltd.) Vice Chairman and Director of Rakuten Credit, Inc. President and Representative Director of Rakuten Credit, Inc. (current position) Executive Director of Rakuten Card Business of the Company (current position) Managing Executive Officer of the Company Executive Vice President Executive Officer of the Company Representative Director of the Company (current position)	March 2015 to March 2016	243
Representative Director	Executive Vice President Chief Financial Officer Executive Director of Finance Department	Yoshihisa Yamada	April 17, 1964	April 1987 May 1992 September 1999 February 2000 March 2007 August 2010 March 2012 March 2013 January 2014	Joined The Industrial Bank of Japan, Limited Received MBA from Harvard Business School Joined Goldman Sachs Japan Co., Ltd. Senior Director of the Company Resigned as Director of the Company Managing Executive Officer of the Company Director of the Company Chief Financial Officer of the Company (current position) Vice President and Representative Director, Executive Vice President Executive Officer of the Company (current position)	March 2015 to March 2016	131
Director	Managing Executive Officer Executive Director of Asia RHQ	Masatada Kobayashi	June 8, 1971	April 1994 November 1996 April 1997 November 1999 March 2003 April 2006 September 2014	Joined Dai Nippon Printing Co., Ltd. Joined RCA Co. Ltd. Joined the Company Director of the Company (current position) Executive Officer of the Company Managing Executive Officer of the Company (current position) Executive Director of Asia Regional Headquarters of the Company (current position)	March 2015 to March 2016	2,515

Title	Position	Name	Date of birth	Career summary		Term	Number of shares of the Company held (Thousands of shares)
Director	Managing Executive Officer Executive Director of Global Human Resources Department	Akio Sugihara	August 26, 1969	March 1996 April 1997 November 1999 March 2003 April 2006 April 2012	Founder and Senior Managing Director of RCA Co., Ltd. Joined the Company Director of the Company (current position) Executive Officer of the Company Managing Executive Officer of the Company (current position) Executive Director of Global Human Resources Department of the Company (current position)	March 2015 to March 2016	5,899
Director	Managing Executive Officer Executive Director of Travel Business	Kazunori Takeda	May 17, 1961	April 1986 May 1993 July 2006 March 2007 January 2014	Joined TOYOTA MOTOR CORPORATION Received MBA from Harvard Business School Managing Executive Officer of the Company (current position) Director of the Company (current position) Executive Director of Travel Business of the Company (current position)	March 2015 to March 2016	451
Director	Managing Executive Officer Executive Director of General Planning Department	Kentaro Hyakuno	June 6, 1967	June 1990 February 2007 July 2009 March 2013 April 2014	Joined TOYOTA MOTOR CORPORATION Executive Officer of the Company Managing Executive Officer of the Company (current position) Director of the Company (current position) Executive Director of General Planning Department of the Company (current position)	March 2015 to March 2016	358
Director	Managing Executive Officer Executive Director of DU	Hiroaki Yasutake	July 2, 1971	April 1997 October 1998 May 2005 March 2007 April 2007 January 2014	Joined NIPPON TELEGRAPH AND TELEPHONE CORPORATION Joined the Company Executive Officer of the Company Director of the Company (current position) Managing Executive Officer of the Company (current position) Executive Director of DU of the Company (current position)	March 2015 to March 2016	402

Title	Position	Name	Date of birth	Career summary		Term	Number of shares of the Company held (Thousands of shares)
Director		Charles B. Baxter	April 19, 1965	October 1998 March 2001 March 2003 July 2004 September 2005 March 2011	CEO of eTranslate, Inc. Director of the Company Retired as Director of the Company Chairman of Wineshipping.com LLC (current position) Manager of LinkShare Corporation (currently RAKUTEN MARKETING LLC) (current position) Director of the Company (current position)	March 2015 to March 2016	—
Director		Koichi Kusano	March 22, 1955	April 1980 June 1985 May 1986 November 1986 June 1994 January 1996 November 1999 January 2004 April 2013 September 2014	Registered with Dai-ichi Tokyo Bar Association Joined Nishimura & Partners Attorney and Partner of Nishimura & Partners Graduated from Harvard Law School (LL.M.) Admitted as Attorney-at-law in New York, USA Outside Corporate Auditor of KOITO MANUFACTURING CO., LTD. (current position) Attorney and Deputy Senior Partner of Nishimura & Partners Director of the Company (current position) Attorney and Senior Partner of Nishimura & Partners (currently Nishimura & Asahi) (current position) Professor of Keio University Law School (current position) Visiting Professor of Harvard Law School (current position)	March 2015 to March 2016	70
Director		Ken Kutaragi	August 2, 1950	April 1975 November 1993 April 1999 June 2000 November 2003 December 2006 June 2007 March 2010 June 2011 June 2013	Joined Sony Corporation Director of Sony Computer Entertainment Inc. President and Representative Director of Sony Computer Entertainment Inc. Director of Sony Corporation Director, Executive Vice President and COO of Sony Corporation Representative Director, Chairman and Group CEO of Sony Computer Entertainment Inc. Honorary Chairman of Sony Computer Entertainment Inc. Director of the Company (current position) Outside Director of Nojima Corporation (current position) Outside Director of MarvelousAQL Inc. (current position)	March 2015 to March 2016	10

Title	Position	Name	Date of birth	Career summary		Term	Number of shares of the Company held (Thousands of shares)
Director		Hiroshi Fukino	February 4, 1942	April 1965 December 1974 March 1986 September 1994 May 2002 May 2004 March 2008	Joined JEOL Ltd. Joined Seiko Instruments & Electronics Ltd. (currently Seiko Instruments Inc.) President of Seiko Instruments & Electronics USA (currently Seiko Instruments USA Inc.) Representative Director and Chairman of Dell Computer Japan (currently Dell Japan Inc.) Outside Director of MISUMI Group Inc. (current position) President and Representative Director of Fukino Consulting Inc. (current position) Director of the Company (current position)	March 2015 to March 2016	—
Director		Jun Murai	March 29, 1955	August 1984 March 1987 April 1987 April 1990 April 1997 May 2005 October 2009 September 2011 March 2012	Assistant at Information Processing Center of Tokyo Institute of Technology Received Ph. D in Engineering from Keio University Assistant at Large-scale Computer Center, the University of Tokyo Associate Professor of Faculty of Environment and Information Studies of Keio University Professor of Faculty of Environment and Information Studies of Keio University (current position) Vice-President of Keio Gijuku Educational Corporation Dean of Faculty of Environment and Information Studies of Keio University (current position) Outside Director of BroadBand Tower, Inc. (current position) Director of the Company (current position)	March 2015 to March 2016	—
Director		Youngme Moon	April 24, 1964	June 1996 July 1997 July 1998 July 2003 September 2005 July 2007 July 2010 July 2013 July 2014 March 2015	Received Ph. D from Stanford University Assistant Professor of Massachusetts Institute of Technology (MIT) Assistant Professor of Harvard Business School Associate Professor of Harvard Business School Director of Avid Technology, Inc. (current position) Donald K. David Professor of Business Administration of Harvard Business School Senior Associate Dean for and Chair of the MBA Program and Donald K. David Professor of Harvard Business School Director of Zulily, Inc. (current position) Senior Associate Dean of Strategy and Innovation and Donald K. David Professor of Harvard Business School (current position) Director of the Company (current position)	March 2015 to March 2016	—

Title	Position	Name	Date of birth	Career summary		Term	Number of shares of the Company held (Thousands of shares)
Company Auditor (Full-time)		Yoshiaki Senoo	February 5, 1947	April 1969	Joined The Sumitomo Bank, Limited (currently Sumitomo Mitsui Banking Corporation)	March 2015 to March 2019	—
				January 1993	Manager of Gotanda Branch of The Sumitomo Bank, Limited		
				November 1994	Senior Director of Sumitomo Capital Securities Co., Ltd.		
				April 1999	Company Auditor of Daiwa Securities SB Capital Markets Co., Ltd. (currently Daiwa Securities Co. Ltd.)		
				June 2007	Corporate Officer of Japan Post Holdings Co., Ltd.		
				October 2007	Executive Officer of Japan Post Holdings Co., Ltd.		
				June 2008	Managing Executive Officer of Japan Post Holdings Co., Ltd.		
				June 2010	Outside Company Auditor of Rakuten Bank, Ltd. (current position)		
				March 2011	Company Auditor of the Company (current position)		
				March 2011	Outside Company Auditor of Rakuten Auction, Inc. (current position)		
Company Auditor		Takeo Hirata	January 16, 1960	April 1982	Joined the Ministry of International Trade and Industry (currently Ministry of Economy, Trade, and Industry)	March 2015 to March 2019	—
				June 1988	Received a master's degree from Harvard Kennedy School		
				June 1995	Legal Examination Commissioner of General Affairs Division of Minister's Secretariat of International Trade and Industry		
				July 1997	Financial Cooperation Office of International Trade Policy Bureau of Ministry of International Trade and Industry		
				June 2000	Director of Petroleum Exploration and Production Division of Agency of Natural Resources and Energy of Ministry of International Trade and Industry		
				January 2001	Director of Petroleum and Natural Gas Division of Agency for Natural Resources and Energy of Ministry of Economy, Trade and Industry		
				July 2002	General Secretary of Japan Football Association		
				April 2006	Professor of Waseda University Graduate School of Sport Sciences (current position)		
				March 2007	Company Auditor of the Company (current position)		
				March 2007	Chairman of the Japan Society of Sports Industry (current position)		
				August 2013	Special Advisor to the Cabinet (current position)		

Title	Position	Name	Date of birth	Career summary		Term	Number of shares of the Company held (Thousands)
Company Auditor		Katsuyuki Yamaguchi	September 22, 1966	April 1991	Registered with Dai-ichi Tokyo Bar Association Joined Nishimura & Partners	March 2012 to March 2016	54
				May 1997	Graduated from Columbia Law School (LL.M.)		
				September 1997	Served Debevoise & Plimpton LLP in New York		
				January 1998	Admitted as Attorney-at-law in New York, USA		
				May 1998	Served Debevoise & Plimpton LLP in Paris		
				February 1999	Served Simeon & Associes in Paris		
				July 1999	Reinstated at Nishimura & Partners		
				August 2000	Attorney and Partner of Nishimura & Partners		
				March 2001	Company Auditor of the Company (current position)		
				January 2004	Attorney and Partner of Nishimura & Partners (currently Nishimura & Asahi) (current position)		
				July 2007	Company Auditor of FreeBit Co., Ltd. (current position)		
				March 2011	Outside Audit & Supervisory Board Member of Jupiter Telecommunications Co., Ltd. (current position)		
				September 2013	Outside Company Auditor of BrainPad Inc. (current position)		
Total							186,656

(Notes) 1 Five Directors, Koichi Kusano, Ken Kutaragi, Hiroshi Fukino, Jun Murai and Youngme Moon are all External Directors.

2 Three Company Auditors, Yoshiaki Senoo, Takeo Hirata and Katsuyuki Yamaguchi are all External Company Auditors.

3 To prepare for when the number of Company Auditors falls below the number stipulated in laws and regulations, the Company appointed one Substitute Company Auditor in accordance with Article 329, Paragraph 2 of the Companies Act. The career summary of the Substitute Company Auditor is as follows.

Name	Date of birth	Career summary		Number of shares of the Company held
Hiroshi Takahashi	May 11, 1957	April 1982	Joined Wako Securities Co., Ltd. (currently Mizuho Securities Co., Ltd.)	21
		June 1999	Joined the Company	
		November 2003	Company Auditor of DLJdirect SFG Securities, Inc. (currently Rakuten Securities, Inc.) (current position)	
		March 2012	Company Auditor of bitWallet, Inc. (currently Rakuten Edy, Inc.) (current position)	
		June 2013	Company Auditor of Stylife Corporation (current position)	

(Notes) 1 No material interest exists between the Company and the Substitute Company Auditor.

2 Substitute Company Auditor Hiroshi Takahashi is the Company Auditor of Stylife Corporation, although, he will retire from the position of Company Auditor of the said company as of March 31, 2015, due to the transfer of fashion e-commerce business of the said company to the Company, and due to the absorption-type merger whose scheduled effective date is April 1, 2015 where the Rakuten Super Logistics, Inc., the Company's wholly owned subsidiary, as the surviving company will succeed Stylife Corporation, the dissolved company.

6. Corporate Governance

(1) Status of Corporate Governance

Basic Approach to Corporate Governance

The Group Companies give top priority to effective corporate governance. The Group Companies have implemented a range of measures to strengthen their competitiveness and maximize corporate value by maintaining effective internal control and risk management systems, with a view to realizing their goal of becoming the world's leading Internet services companies.

1) Corporate Governance

(a) Basic Structure of Corporate Governance and Reasons for Adoption

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

In April 2012, the Company reviewed the scope of duties of Executive Officers to speed up their execution processes. In addition, the Company has introduced corporate functions, which comprehensively manage all Group Companies businesses, aiming to strengthen a group-wide internal control.

(b) Corporate Organization

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

The Board of Directors consists of 16 Directors, including five External Directors. It is stipulated in the Articles of Incorporation that the number of Directors shall be not more than 16. Resolutions to appoint Directors must be approved by a majority of voting rights at an Annual General Shareholders' Meeting attended by shareholders holding at least one-third of voting rights.

In addition to regular monthly meetings, the Board of Directors holds special meetings as required. At these meetings, Directors make decisions on important management matters and supervise Executive Officers' activities. Executive Officers, upon receiving business execution orders from the CEO, carry out business execution within the administrative authority set forth by the Company. To enhance the corporate value, as to a case that requires new capital expenditure including any investment, members, including External Directors, of the Investment Committee preliminarily deliberate on whether the case should be proceeded or not. The result of such deliberation shall be reported to the Board of Directors.

Status of business results for major segments is shared weekly at the Budget Meeting, which Executive Officers attend. To ensure appropriate and efficient conduct of business operations, activities in individual segments are supervised by management councils convened within each segment, as well as by management councils convened by each corporate function such as human resources, financial management, accounting, legal management and other management aspects across the Group Companies.

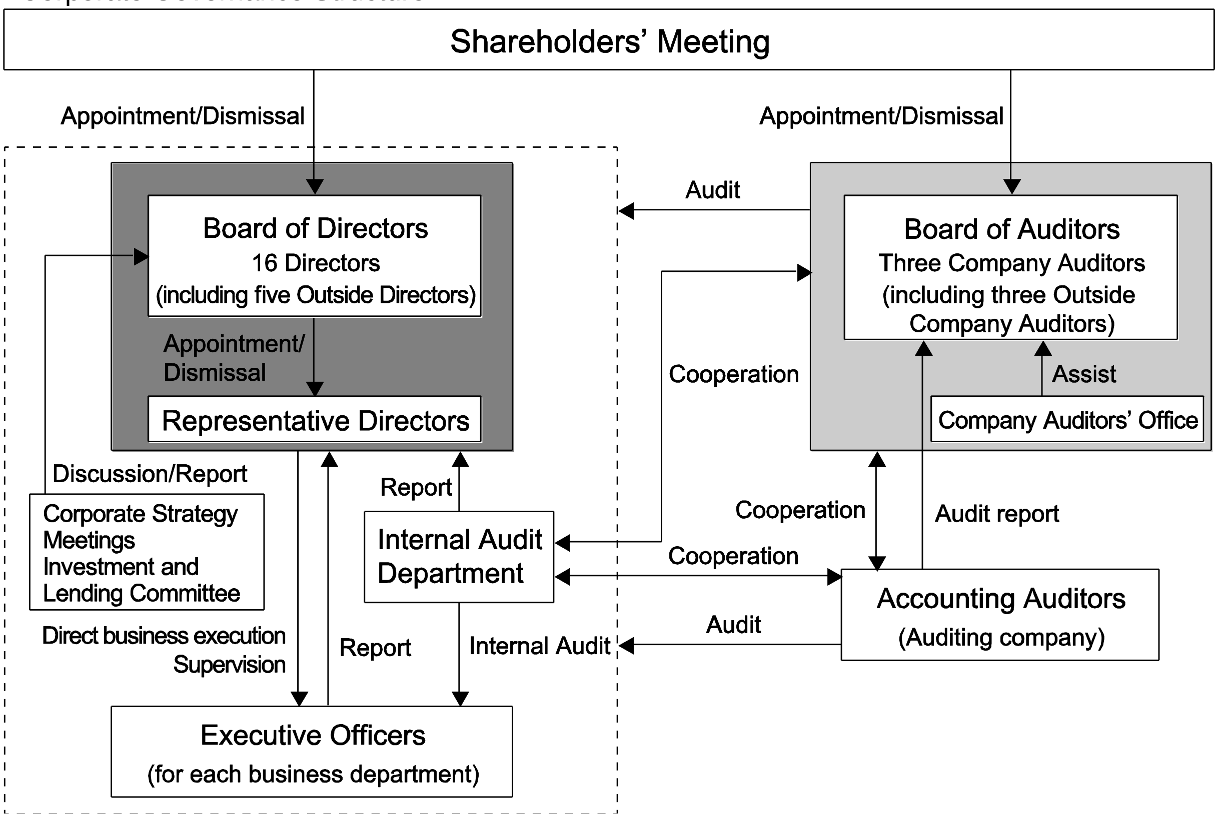
(Company Auditors and the Board of Auditors)

The Company has three Company Auditors, including one full-time auditor. All three are external auditors.

A three-member Company Auditors' Office assists the Company Auditors in the performance of their duties. In addition to its regular meetings, the Board of Auditors holds special meetings as required. To prepare for when the number of Company Auditors falls below the number stipulated in laws and regulations, the Company appointed one Substitute Company Auditor.

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

<Corporate Governance Structure>



(c) Internal Control Systems

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

The performance of business operations by Directors and employees is subject to regular operational audits by the Internal Audit Department, an independent unit reporting directly to the CEO. The Compliance Committee also helps to ensure that all operations are conducted appropriately by implementing group-wide compliance initiatives. Compliance training is provided for all Directors and employees to enable them to develop the knowledge and ethical perceptions needed to perform their duties. In addition, the Company has set up a hotline, the Rakuten Hotline, for reporting of compliance violations. Furthermore, the operation status of the hotline and compliance-related matters that have been detected by the Internal Audit Department through audits are reported, as necessary, to the Compliance Committee.

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

The Company is also expanding the Rakuten Group Regulations (RGR) as the basis for integrated group management, with the aim of strengthening corporate governance and paving the way for further growth.

(d) Risk Management Systems

The Company has established a Group Risk Management Committee chaired by the CEO for the comprehension of risks, from a unified perspective, that may have a material adverse effect on the Group Companies and for providing an appropriate response to such risks. Under the Group Risk Management Committee, the Company conducts risk management by establishing risk control sections within business units, responsible for 10 risk categories including compliance risk, information security risk, and risks pertaining to natural disasters, conflicts and accidents. The Governance Risk Compliance Department and risk control sections, which are group-wide department/sections in charge of risk management, draw up a policy under which each business unit and each group company implements measures.

Each business units, in accordance with the Rakuten Group Regulations (RGR), consolidates risk information and ensures thorough and consistent application of risk management through such actions as reporting on risks related to business execution at the Management Conferences held in each business unit, as well as defining risks through risk assessments regularly conducted by the Governance Risk Compliance Department. Each group company has also established its own risk management system, especially in financial businesses, and instituted the PDCA cycle to handle company-specific risks other than group-wide risks.

In addition, measures for risks on information security and information systems are also implemented in development divisions, and the Company makes efforts to minimize this risk factor throughout the group including the acquisition of ISMS (Information Security Management System) certification.

As to risks pertaining to the occurrences of natural disasters, etc., the Company works to prepare emergency response measures including the formulation of business continuity plans.

2) Internal Audits, Company Auditor Organization, Personnel and Procedures

Internal audits are conducted by the 23-member Internal Audit Department, which is an independent unit reporting directly to the CEO. Head office divisions, business units and group companies are all subject to internal auditing. Audits are implemented under plans approved by the Board of Directors with the aim of verifying the legality, appropriateness and efficiency of operations. The purpose of the internal audit process is to ensure that business operations are conducted in an appropriate manner by identifying any improvements that may be required, and by monitoring the implementation of those improvements. Audit results are reported to the Board of Directors, the CEO, the Compliance Committee responsible for areas covered by audits, and the Company Auditors. The Internal Audit Department also cooperates with the Board of Auditors. The Internal Audit Department is also working to enhance the effectiveness of internal audits throughout the group by working closely with audit units in the Group Companies. In addition to holding regular exchanges of opinions and conducting information sharing, the Group Companies shares the results of the internal audits with the Independent Auditors, as necessary.

Information about audits by Company Auditors can be found under "1) Corporate Governance (b) Corporate Organization (Company Auditors and the Board of Auditors)."

3) External Directors and External Company Auditors

The Company's 16-member Boards of Directors currently includes five External Directors, and all three Company Auditors are External Company Auditors. Mr. Koichi Kusano, External Director, is a Senior Partner in Nishimura & Asahi, and Mr. Katsuyuki Yamaguchi, External Director, is a Partner in Nishimura & Asahi, a law firm with which the Company has a business relationship that includes provision of services. Ms. Youngme Moon, External Director, is Director of Zulily, Inc., with which the Company competes in the U.S. Internet services business. Mr. Koichi Kusano and Mr. Ken Kutaragi, both External Directors, and Mr. Katsuyuki Yamaguchi, External Company Auditor, respectively hold the Company's shares, and the numbers of shares held by them are as described in the respective columns of "Number of shares held" in "IV. Information on the Company Submitting Financial Reports 5. Directors." There are no other personal, capital or business relationships or significant interests.

Although the Company has not established standards and policies to ensure the independence from the Company for electing External Directors and External Company Auditors, the Company has referred to the criteria of Tokyo Stock Exchange, Inc. regarding independence of independent directors (III 5. (3)-2 of the Guidelines concerning Listed Company Compliance, etc.) in the appointment of its highly independent External Directors and External Company Auditors. Three External Directors, Ken Kutaragi, Hiroshi Fukino and Jun Murai are Independent Directors specified by the regulations of the Tokyo Stock Exchange, Inc. Our External Directors and External Company Auditors' expertise and objective viewpoints strengthen supervision of the Board of Directors in performance of its duties. They also enhance the effectiveness of corporate governance by allowing a wide range of discussion with the Board of Directors.

The five External Directors include attorneys, notably Mr. Koichi Kusano, who can contribute wide-ranging knowledge and experience of corporate law. Another, Mr. Ken Kutaragi, has extensive knowledge of the entertainment business and technology and wide-ranging experience in business management. Mr. Hiroshi Fukino also has extensive experience of business management and expertise as a business consultant. Mr. Jun Murai has a distinguished background as an academic expert in Internet technology. And Ms. Youngme Moon has a distinguished background as an academic in the field of business management. All External Directors have been appointed for their ability to provide management with advice and recommendations based on their experience and expert knowledge.

There are three External Company Auditors. Mr. Yoshiaki Senoo has extensive knowledge and experience relating primarily to finance business, business management and compliance. Mr. Takeo Hirata brings wide-ranging expert knowledge and experience relating primarily to sport and education. Mr. Katsuyuki Yamaguchi was selected as a person who could contribute to the Company's audit systems through his extensive knowledge and experience, especially as an attorney, and through his perspectives as an expert on corporate law. Documents for meetings of the Board of Directors are forwarded in advance to the External Directors and External Company Auditors, who, if necessary, can also seek advance briefings from and consultations with the units concerned. As noted above, the External Auditors also actively exchange views with the Internal Audit Department and the independent auditors.

The Company has signed an agreement with each of its External Directors and External Company Auditors under the provisions of Article 427, Paragraph 1 of the Companies Act. This agreement is summarized below:

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

i. Two times the bigger of the sum of fees, bonuses and other payments received or asset benefits received in the year that includes the date on which the event that resulted in the liability occurred, and in the preceding year, or the value of asset benefits to be received (excluding benefits stipulated under Item ii below).

ii. Two times the smaller of the sum of retirement bonuses or asset benefits that are in the nature of retirement bonuses, or that amount divided by the number of years during which the office of External Director was held.

iii. The amounts stipulated below if Subscription Rights to Shares, as defined in Article 238, Paragraph 3 of the Companies Act, were exercised or transferred after the person was appointed as an External Director.

1. If the Rights have been Exercised

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

2. If the Rights have been Transferred

   An amount calculated by subtracting the issue price of the Subscription Rights to Shares from the transfer price and multiplying the result by the number of Subscription Rights to Shares.

4) Remuneration for Directors and Company Auditors

(a) Total Amounts of Fees, etc., for Each Category of Officers of the Company Submitting Financial Reports, Total Amount of Each Type of Remuneration Paid, and Number of Officers Eligible Category of Officer Total Amount of Fees, etc.

Category of officer	Total amount of fees, etc. (Millions of Yen)	Total amount of each type of remuneration (Millions of Yen)			Number of recipients
		Basic fees	Stock options	Bonuses	
Directors (excluding External Directors)	494	380	99	15	11
Company Auditors (excluding External Company Auditors)	―	―	―	―	0
External Directors and Company Auditors	126	119	7	―	9

(b) Consolidated Total Amount of Fees, etc., for Directors and Company Auditors of the Company Submitting Financial Reports

For purposes of full disclosure, we declare that no person in the filing company received a consolidated total amount of fees of more than 100 million yen this fiscal year.

(c) Total Amount of Significant Items Included in Salaries and Bonuses Paid to Directors who are Also Employees

Total amount (Millions of Yen)	Number of recipients	Details
270	6	Salaries (including bonuses) paid to directors who are also employees

(d) Policies Concerning Amounts of Remuneration for Directors and Company Auditors, and the Adoption of Methods for Calculating Those Amounts

Business performance is taken into account in decisions concerning remuneration for Directors and Company Auditors. A resolution of the 18th Annual General Shareholders' Meeting held on March 27, 2015, set the upper limit for total remuneration over the year at ¥1,400 million (including ¥200 million for External Directors). Total remuneration for Company Auditors is within the upper limit of ¥120 million as stipulated in a resolution of the 10th Annual General Shareholders' Meeting held on March 29, 2007.

5) Status of Securities Held by the Company

(a) Shares Held for Other Reasons than Pure Investment Purpose

Number of stock names 12

Total balance sheet amount ¥1,787 million

(b) Nature of Holdings, Stock Names, Number of Shares, Total Amount Recorded in Balance Sheet, Purpose of Holdings of the Shares Held for Other Reasons than Pure Investment Purpose

(Previous fiscal year)

Special Investment Securities

Stock name	Number of shares (shares)	Amount recorded in balance sheet (Millions of Yen)	Purpose of holding
F@N Communications, Inc.	2,311,600	7,235	To enhance business relationship
Synergy Marketing, Inc.	1,136,000	971	To enhance business relationship
FreeBit Co., Ltd.	199,200	394	To enhance business relationship
Alpen Co., Ltd.	18,000	34	To enhance business relationship

(Current fiscal year)

Special Investment Securities

Stock name	Number of shares (shares)	Amount recorded in balance sheet (Millions of Yen)	Purpose of holding
FreeBit Co., Ltd.	199,200	224	To enhance business relationship
Alpen Co., Ltd.	18,000	30	To enhance business relationship

(c) Shares Held Purely for Investment Purposes
Not applicable.

6) Audits by Independent Auditors
The Company has entered into an auditing agreement with Ernst & Young ShinNihon LLC, which conducts financial audits in accordance with the Japanese Companies Act and the Financial Instruments and Exchange Act.

In fiscal 2014, audits were conducted by the following certified public accountants and assistants.

[Certified public accountants]

Designated and Engagement Partner	Tokuya Takizawa
Designated and Engagement Partner	Hiroshi Nishida
Designated and Engagement Partner	Kenji Takagi

* Since these accountants have conducted audits for fewer than or equal to seven years, the number of years has been omitted.

[Names of Assistants]
25 certified public accountants and 42 others

7) Other Provisions of the Articles of Incorporation

(a) Matters Requiring Resolutions of Shareholders' Meetings that Can Be Implemented by Resolutions of the Board of Directors

The Articles of Incorporation of the Company state that, unless otherwise stipulated in laws and regulations, the Board of Directors is authorized to pass resolutions on matters pertaining to the distribution of surpluses and other matters, as stipulated in the items of Article 459, Paragraph 1 of the Companies Act, without resolutions of shareholders' meetings. The purpose of this provision is to allow the Board of Directors to implement a flexible dividend policy.

(b) Items Requiring Special Resolutions of Shareholders' Meetings

The Articles of Incorporation of the Company state that matters requiring resolutions of shareholders' meetings, as stipulated in Article 309, Paragraph 2 of the Companies Act, require resolutions supported by at least two-thirds of voting rights at shareholders' meetings attended by shareholders holding at least one-third of voting rights. The purpose of this provision is to facilitate the administration of shareholders' meetings by easing the quorum requirements for special resolutions.

(2) Audit Fees, etc.

1) Audit Fees Paid to Certified Public Accountants, etc.

Item	2013		2014	
	Millions of Yen		Millions of Yen	
	Fees paid for audit certification services	Fees paid for non-audit services	Fees paid for audit certification services	Fees paid for non-audit services
Company submitting financial reports	153	0	89	21
Consolidated subsidiaries	218	17	126	8
Total	371	17	215	29

2) Other Important Matters Pertaining to Fees

Fiscal year ended December 31, 2013

Some consolidated subsidiaries of the Company are audited by EY member firms, which belong to the same network as Ernst & Young ShinNihon LLC, independent auditor of the Company and fees paid to the firms amounted to ¥81 million.

Fiscal year ended December 31, 2014

Some consolidated subsidiaries of the Company are audited by EY member firms, which belong to the same network as Ernst & Young ShinNihon LLC, independent auditor of the Company and fees paid to the firms amounted to ¥133 million.

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

Fiscal year ended December 31, 2013

The non-audit services for which the Company pays fees to certified public accountants and other audit personnel consist primarily of advisory services, etc. relating to the system management structure.

Fiscal year ended December 31, 2014

The non-audit services for which the Company pays fees to certified public accountants and other audit personnel consist primarily of advisory and instruction services relating to internal controls over financial reporting.

4) Policy on Setting of Audit Fees

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

V. Financial Information

1. Basis of Preparation of Consolidated and Non-Consolidated Financial Statements

(1) The consolidated financial statements of the Company are prepared in accordance with International Financial Reporting Standards (hereinafter referred to as "IFRS"), as issued by the IASB, as the Company satisfies the requirements of a "specified company" prescribed in Article 1-2 of the Rules on Terminology, Formats and Compilation Methods of Consolidated Financial Statements (Cabinet Office Ordinance No. 28 of 1976; hereinafter referred to as the "Rules on Consolidated Financial Statements") as provided in Article 93.

(2) The non-consolidated financial statements of the Company are prepared in accordance with the Rules on Terminology, Formats and Compilation Methods of Non-Consolidated Financial Statements, etc. (Cabinet Office Ordinance No. 59 of 1963; hereinafter referred to as the "Rules on Non-Consolidated Financial Statements, etc.").

The non-consolidated financial statements are prepared in accordance with the provisions set out in Article 127 of the Rules on Non-Consolidated Financial Statements, etc., as the Company is categorized as a company that may be allowed to prepare its financial statements according to special provisions.

(3) Differences in main accounting items between the consolidated financial statements prepared in accordance with IFRS and those prepared in accordance with JGAAP are stated in "II. Business Overview 1. Summary of Results."

2. Audit Reports

Pursuant to the provisions set out in Paragraph 1, Article 193-2 of the Financial Instruments and Exchange Act, the Company's consolidated financial statements and non-consolidated financial statements for the fiscal year (from January 1, 2014 to December 31, 2014) were audited by Ernst & Young ShinNihon LLC.

3. Specific Efforts to Ensure the Appropriateness of Consolidated Financial Statements

The Company has undertaken specific measures to ensure the appropriateness of its consolidated financial statements, the details of which are as follows.

In order to establish a structure for adequately understanding the accounting standards in detail and appropriately responding to changes in them, the Company has become a member of the Financial Accounting Standards Foundation and has been expanding its understanding of accounting standards as well as responding to new standards.

4. Establishment of a Structure to Enable the Proper Preparation of Consolidated Financial Statements in Accordance with IFRS

The Company continually works towards the establishment of a structure that enables it to properly prepare consolidated financial statements under IFRS, the details of which are as follows.

In terms of IFRS application, the Company keeps updated on the latest standards by obtaining press releases and statements of standards released by the International Accounting Standards Board, as necessary. Additionally, in order to properly prepare consolidated financial statements in accordance with IFRS, the Company has prepared Group Accounting Policies and Accounting Guidelines in accordance with IFRS, and has conducted its accounting accordingly.

1. Consolidated Financial Statements
(1) Consolidated Financial Statements
1) Consolidated Statements of Financial Position

	Note	Millions of Yen December 31, 2013	Millions of Yen December 31, 2014	Thousands of U.S. Dollars December 31, 2014
Assets				
Cash and cash equivalents	5	¥384,008	¥428,635	$3,573,149
Accounts receivable — trade	6	73,443	88,871	740,839
Financial assets for securities business	7	1,218,987	1,110,888	9,260,487
Loans for credit card business	8	544,314	692,886	5,775,975
Investment securities for banking business	9	197,897	222,297	1,853,093
Loans for banking business	10	239,818	321,877	2,683,203
Investment securities for insurance business	11	10,233	12,205	101,742
Derivative assets	12	12,588	13,927	116,097
Investment securities	13	34,025	50,506	421,024
Other financial assets	14	159,058	144,283	1,202,759
Investments in associates and joint ventures	16	8,189	8,932	74,458
Property, plant and equipment	17	30,408	34,811	290,188
Intangible assets	18	235,881	490,679	4,090,355
Deferred tax assets	25	31,594	35,006	291,814
Other assets		29,365	24,892	207,503
Total assets		3,209,808	3,680,695	30,682,686
Liabilities				
Accounts payable — trade		115,357	137,042	1,142,397
Deposits for banking business	19	959,960	1,137,195	9,479,785
Financial liabilities for securities business	20	1,077,971	995,141	8,295,607
Derivative liabilities	12	8,023	11,769	98,108
Bonds and borrowings	21	389,683	589,927	4,917,698
Other financial liabilities	22	226,771	242,616	2,022,474
Income taxes payable		30,191	27,129	226,150
Provisions	23	41,020	43,969	366,531
Policy reserves and others for insurance business	24	18,852	19,847	165,447
Deferred tax liabilities	25	9,123	12,437	103,676
Other liabilities		26,403	35,537	296,240
Total liabilities		2,903,354	3,252,609	27,114,113
Equity				
Equity attributable to owners of the Company				
Common stock	26	109,530	111,602	930,327
Capital surplus	26	116,555	118,528	988,063
Retained earnings	26	61,226	124,796	1,040,313
Treasury stock	26	(3,649)	(3,649)	(30,419)
Other components of equity		16,401	70,285	585,904
Total equity attributable to owners of the Company		300,063	421,562	3,514,188

		Millions of Yen		Thousands of U.S. Dollars
	Note	December 31, 2013	December 31, 2014	December 31, 2014
Non-controlling interests		6,391	6,524	54,385
Total equity		306,454	428,086	3,568,573
Total liabilities and equity		3,209,808	3,680,695	30,682,686

2) Consolidated Statements of Income

		Millions of Yen		Thousands of U.S. Dollars
	Note	Year ended December 31, 2013	Year ended December 31, 2014	Year ended December 31, 2014
Continuing operations				
Revenue	27	¥518,568	¥598,565	$4,989,705
Operating expenses	28	420,374	491,279	4,095,357
Other income	29	1,831	6,724	56,052
Other expenses	29	9,781	7,613	63,463
Operating income		90,244	106,397	886,937
Financial income	30	197	230	1,917
Financial expenses	30	1,962	2,986	24,891
Share of income of associates and joint ventures	16	131	604	5,035
Income before income tax		88,610	104,245	868,998
Income tax expense	25	45,129	33,142	276,275
Net income		43,481	71,103	592,723
Net income attributable to:				
Owners of the Company		42,900	70,614	588,646
Non-controlling interests		581	489	4,077
Net income		43,481	71,103	592,723

		Yen		U.S. Dollars
Earnings per share attributable to owners of the Company:				
Basic	31	¥32.60	¥53.47	$0.45
Diluted	31	32.41	53.15	0.44

3) Consolidated Statements of Comprehensive Income

		Millions of Yen		Thousands of U.S. Dollars
	Note	Year ended December 31, 2013	Year ended December 31, 2014	Year ended December 31, 2014
Net income		¥43,481	¥71,103	$592,723
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	38	9,500	19,200	160,053
Income tax effect of gains and losses on financial assets measured at fair value through other comprehensive income	25	(3,330)	(7,160)	(59,686)
Share of other comprehensive income of associates and joint ventures	16	54	4	33
Total items that will not be reclassified to net income		6,224	12,044	100,400
Items that may be reclassified to net income:				
Foreign currency translation adjustments		18,294	40,876	340,747
Gains (losses) on cash flow hedges recognized in other comprehensive income	33	(407)	2,002	16,689
Income tax effect of gains or losses on cash flow hedges recognized in other comprehensive income	25 33	145	(767)	(6,394)
Gains (losses) on cash flow hedges reclassified from other comprehensive income to net income	33	227	284	2,367
Income tax effect of gains or losses on cash flow hedges reclassified from other comprehensive income to net income	25 33	(83)	(110)	(917)
Gains or losses on effective cash flow hedges reclassified from other comprehensive income to initial carrying amount of the hedged item	33	—	(2,597)	(21,649)
Income tax effect of gains or losses on effective cash flow hedges reclassified from other comprehensive income to initial carrying amount of the hedged item	25 33	—	987	8,228
Total items that may be reclassified to net income		18,176	40,675	339,071
Other comprehensive income, net of tax		24,400	52,719	439,471
Comprehensive income		67,881	123,822	1,032,194

		Millions of Yen		Thousands of U.S. Dollars
	Note	Year ended December 31, 2013	Year ended December 31, 2014	Year ended December 31, 2014
Comprehensive income attributable to:				
Owners of the Company		67,253	123,319	1,028,001
Non-controlling interests		628	503	4,193
Comprehensive income		67,881	123,822	1,032,194

4) Consolidated Statements of Changes in Equity

(Millions of Yen)

	Note	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 Company	Non-controlling interests	Total equity
As of January 1, 2013		¥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	26, 35	1,275	1,275							2,550		2,550
Cash dividends paid	26, 36			(3,944)						(3,944)		(3,944)
Reclassified from other components of equity to retained earnings	37			1,793			(1,793)		(1,793)	—		—
Others	26		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	45		(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
Comprehensive income												
Net income				70,614						70,614	489	71,103
Other comprehensive income, net of tax						40,863	12,043	(201)	52,705	52,705	14	52,719
Total comprehensive income		—	—	70,614	—	40,863	12,043	(201)	52,705	123,319	503	123,822
Transactions with owners												
Contributions by and distributions to owners												
Issuance of common stock	26, 35	2,072	2,071							4,143		4,143
Cash dividends paid	26, 36			(5,271)						(5,271)		(5,271)
Reclassified from other components of equity to retained earnings	37			(1,179)			1,179		1,179	—		—

	Note	Common stock	Capital surplus	Retained earnings	Treasury stock	Other components of equity				Total equity attributable to owners of the Company	Non-controlling interests	Total equity
						Foreign currency translation adjustments	Financial instruments measured at fair value through other comprehensive income	Cash flow hedges	Total other components of equity			
Others	26		1,159	(594)						565		565
Total contributions by and distributions to owners		2,072	3,230	(7,044)	―	―	1,179	―	1,179	(563)	―	(563)
Changes in ownership interests in subsidiaries												
Issuance of common stock											132	132
Acquisitions and disposals of non-controlling interests	45		(1,190)							(1,190)	(531)	(1,721)
Others			(67)							(67)	29	(38)
Total changes in ownership interests in subsidiaries		―	(1,257)	―	―	―	―	―	―	(1,257)	(370)	(1,627)
Total transactions with owners		2,072	1,973	(7,044)	―	―	1,179	―	1,179	(1,820)	(370)	(2,190)
As of December 31, 2014		111,602	118,528	124,796	(3,649)	51,354	19,453	(522)	70,285	421,562	6,524	428,086

(Thousands of U.S. Dollars)

	Note	Common stock	Capital surplus	Retained earnings	Treasury stock	Other components of equity				Total equity attributable to owners of the Company	Non-controlling interests	Total equity
						Foreign currency translation adjustments	Financial instruments measured at fair value through other comprehensive income	Cash flow hedges	Total other components of equity			
As of December 31, 2013		$913,054	$971,616	$510,387	$(30,419)	$87,454	$51,942	$(2,675)	$136,721	$2,501,359	$53,276	$2,554,635
Comprehensive income												
Net income				588,646						588,646	4,077	592,723
Other comprehensive income, net of tax						340,639	100,392	(1,676)	439,355	439,355	116	439,471
Total comprehensive income		–	–	588,646	–	340,639	100,392	(1,676)	439,355	1,028,001	4,193	1,032,194
Transactions with owners												
Contributions by and distributions to owners												
Issuance of common stock	26, 35	17,273	17,264							34,537		34,537
Cash dividends paid	26, 36			(43,940)						(43,940)		(43,940)
Reclassified from other components of equity to retained earnings	37			(9,828)			9,828		9,828	–		–
Others	26		9,662	(4,952)						4,710		4,710
Total contributions by and distributions to owners		17,273	26,926	(58,720)	–	–	9,828	–	9,828	(4,693)	–	(4,693)
Changes in ownership interests in subsidiaries												
Issuance of common stock											1,100	1,100
Acquisitions and disposals of non-controlling interests	45		(9,920)							(9,920)	(4,426)	(14,346)
Others			(559)							(559)	242	(317)
Total changes in ownership interests in subsidiaries		–	(10,479)	–	–	–	–	–	–	(10,479)	(3,084)	(13,563)
Total transactions with owners		17,273	16,447	(58,720)	–	–	9,828	–	9,828	(15,172)	(3,084)	(18,256)
As of December 31, 2014		930,327	988,063	1,040,313	(30,419)	428,093	162,162	(4,351)	585,904	3,514,188	54,385	3,568,573

5) Consolidated Statements of Cash Flows

	Note	Millions of Yen		Thousands of U.S. Dollars
		Year ended December 31, 2013	Year ended December 31, 2014	Year ended December 31, 2014
Cash flows from operating activities				
Income before income tax		¥88,610	¥104,245	$868,998
Depreciation and amortization		26,086	30,140	251,250
Other loss		5,509	1,643	13,696
Increase in operating receivables		(3,035)	(1,901)	(15,847)
Increase in loans for credit card business		(141,895)	(148,572)	(1,238,513)
Increase in deposits for banking business		150,429	177,383	1,478,685
Decrease (increase) in call loans for banking business		(32,000)	15,000	125,042
Increase in loans for banking business		(50,149)	(82,060)	(684,061)
Increase in operating payables		29,464	17,917	149,358
Decrease (increase) in financial assets for securities business		(603,284)	132,864	1,107,569
Increase (decrease) in financial liabilities for securities business		519,916	(106,851)	(890,722)
Others		23,142	20,476	170,690
Income tax paid		(11,308)	(48,424)	(403,668)
Net cash flows from operating activities		1,485	111,860	932,477
Cash flows from investing activities				
Increase in restricted deposits		(3,169)	(20,138)	(167,873)
Increase in time deposits		(8,089)	(11,187)	(93,256)
Decrease in time deposits		5,155	8,162	68,039
Purchase of property, plant and equipment		(10,018)	(9,959)	(83,019)
Purchase of intangible assets		(22,412)	(26,783)	(223,266)
Acquisition of subsidiaries	44	(30,198)	(174,469)	(1,454,393)
Purchase of investment securities for banking business		(150,512)	(365,787)	(3,049,241)
Proceeds from sales and redemption of investment securities for banking business		251,178	342,090	2,851,701
Purchase of investment securities for insurance business		(6,228)	(8,522)	(71,040)
Proceeds from sales and redemption of investment securities for insurance business		9,591	6,596	54,985
Purchase of investment securities		(4,728)	(8,845)	(73,733)
Proceeds from sales and redemption of investment securities		5,654	12,907	107,594
Other payments		(7,249)	(13,396)	(111,671)
Other proceeds		1,609	8,246	68,739
Net cash flows from/(used in) investing activities		30,584	(261,085)	(2,176,434)
Cash flows from financing activities				

	Note	Millions of Yen Year ended December 31, 2013	Millions of Yen Year ended December 31, 2014	Thousands of U.S. Dollars Year ended December 31, 2014
Net increase in short-term borrowings		62,305	8,126	67,739
Increase (decrease) in commercial papers		23,000	(10,300)	(85,862)
Proceeds from long-term debt		63,210	251,860	2,099,533
Repayment of long-term debt		(66,966)	(82,817)	(690,372)
Proceeds from issuance of bonds	21	1,483	29,828	248,650
Cash dividends paid		(3,962)	(5,251)	(43,773)
Others		(3,818)	(1,934)	(16,122)
Net cash flows from financing activities		75,252	189,512	1,579,793
Effect of change in exchange rates on cash and cash equivalents		6,573	4,340	36,179
Net increase in cash and cash equivalents		113,894	44,627	372,015
Cash and cash equivalents at the beginning of the year	5	270,114	384,008	3,201,134
Cash and cash equivalents at the end of the year	5	384,008	428,635	3,573,149

[Notes to the Consolidated Financial Statements]

1. General Information

(1) Reporting Entity

Rakuten, Inc. (hereinafter referred to as the “Company”) is a company located in Japan. The Company and its subsidiaries (hereinafter referred to as the “Group Companies”), providers of a wide-range of internet-related services, have aligned their businesses along two main axes: internet services and internet finance. The activities in the “Internet Services” segment consist of the operation of EC (e-commerce) sites, including the “Rakuten Ichiba” internet shopping mall, online cash-back sites, travel booking sites, portal sites and digital contents sites, and others, as well as services based on these sites, such as advertising. The activities in the “Internet Finance” segment involve internet banking and securities services via the internet, credit card services, life insurance, e-money services and other financial services. Activities in the “Others” segment consist of messaging and communication services and others, and the management of a Japanese professional baseball team. Please refer to Note 4. Segment Information for more details.

(2) Basis of Preparation

The Group Companies prepare its consolidated financial statements in accordance with the International Financial Reporting Standards (hereinafter referred to as “IFRS”) released by the International Accounting Standards Board. The Company meets the requirements set out under Article 1-2 of the “Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements” under which the Company is qualified as a “specified company” and duly applies the provisions of Article 93 of the said ordinance.

The consolidated financial statements were approved by the Representative Director on March 23, 2015.

(3) Functional Currency and Presentation Currency

Items included in the financial statements of each consolidated subsidiary and associate are measured using the currency of the primary jurisdiction in which they conduct their business operations (“functional currencies”). The consolidated financial statements are presented in Japanese yen, the functional currency of the Company and the presentation currency of the Group. The amounts in the consolidated financial statements are presented in millions of yen rounded to the nearest million.

(4) Basis of Measurement

The consolidated financial statements have been prepared on a historical cost basis, except for those financial instruments that have been measured at fair value.

(5) Use of Estimates and Judgments

The preparation of the consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires the management of the Group Companies to exercise judgment in the process of applying the accounting policies of the Group Companies. The areas involving a higher degree of judgment or complexity, areas where assumptions and estimates are significant to the consolidated financial statements, or information in respect of uncertainties of assumptions and estimates which have a significant risk of causing material adjustment in the next year are disclosed in Note 3. Significant Accounting Estimates and Judgments.

(6) Early Adoption of Standards and Interpretations

Since December 31, 2012, the Group Companies have early adopted the following standards prior to its mandatory effective date.

- IFRS 9, “Financial instruments” (issued Nov. 2009, amended Oct. 2010 and Dec. 2011)

(7) New Standards and Interpretations Not Yet Applied

As of December 31, 2014, the Group Companies have not applied the following standards, interpretations and amendments to standards or interpretations issued before the approval date of the consolidated financial statements but which are not yet effective. The Group Companies are currently analyzing the estimated impact of adopting such standards on the results of operations, financial position or cash flows. At present, we are unable to estimate the impact associated with the adoption of IFRS 9, but are calculating the impact of IFRS 15.

	IFRS	Mandatory adoption (effective date)	Group Companies’ adoption period (reporting period ended)	Description
IFRS 9	Financial instruments (Revised in Nov. 2013: hedge accounting; revised in July. 2014: impairment accounting, classification and measurement)	January 1, 2018	Not determined	Revision on hedge accounting, impairment, classification and measurement
IFRS 15	Revenue from contracts with customers (Newly issued in May 2014)	January 1, 2017	Early adoption on January 1, 2015 planned	New standard on accounting and disclosure for revenue recognition

(8) U.S. Dollar Amounts

The translation of Yen amounts into U.S. dollar amounts is included solely for convenience, as a matter of arithmetic computation only, at ¥119.96=US$1.00, the approximate exchange rate in effect as of March 31, 2015. This translation should not be construed as a representation that Yen have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

2. 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 Statements 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 with the accounting policies of the Group Companies, and is reported in the Consolidated Statements 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, to 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 the previous generally accepted accounting principles (“GAAP”).

(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 Statements 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.

Financial Assets Measured at Amortized Cost

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 Statements 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 Statements 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 Statements 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 Statements 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 Statements 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 Statements 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 the risk of fair value fluctuations due to changes 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 the 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 Statements 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 Statements of Income. The gains or losses on the hedged items attributable to the hedged risks are recognized in the Consolidated Statements 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 statements of comprehensive income as those of hedged items. The gain or loss relating to the ineffective portion is recognized immediately in the Consolidated Statements of Income. In cases where hedged items result in the recognition of non-financial assets or liabilities, the amounts recognized as other comprehensive income are accounted for as adjustments to the original carrying amount of non-financial assets or liabilities.

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 Statements 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 statements 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 the 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 of and 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 on 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 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 to 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, 2013 and 2014 are as follows:

- Buildings and accompanying facilities 10–50 years
- Furniture, fixtures 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 the ratio of actual insurance revenue occurring in a year over the total expected insurance revenue over the period. 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.

(9) 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 the 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, 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 statements 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 Statements of Income.

(10) 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 Statements 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.

(11) 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.

(12) 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 estimated present value 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 Statements of Income.

(13) 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.

(14) 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.

(15) Revenue

The Group Companies mainly provide EC (e-commerce) sites including an Internet shopping mall Rakuten Ichiba, travel booking sites, portal sites and digital contents sites, along with business for sales of advertising on these sites. The Group Companies also provide various internet finance services, such as credit card, banking, securities, and insurance services. 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.

(16) 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.”

(17) 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.

(18) Current and Deferred Income Tax

The income tax expense comprises current and deferred taxes. These are recognized in the Consolidated Statements 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 statements 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 Statements 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 the owners of the Company) 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.

(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 Group Companies started to adopt the following accounting standards from the current fiscal year ended December 31, 2014.

IFRS		Newly issued or revised contents
IAS 32	Financial instruments: presentation (Amended in Dec. 2011)	Clarification of the meaning of "currently has a legally enforceable right to set-off" and also clarification of the application of the IAS 32 offsetting criteria to settlement systems which apply gross settlement mechanisms that are not simultaneous.
IAS 36	Impairment of assets (Amended in May 2013)	Clarification of the guidelines on disclosures of the recoverable amount of cash-generating units, which include significant goodwill and intangible assets with indefinite useful lives

These standards have been adopted in accordance with their respective transitional provisions, and the adoption of the above standards has no significant impact on the consolidated financial statements for the fiscal year ended December 31, 2014.

3. 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 (Note 2 “Accounting Policies” (9) and Note 18 “Intangible Assets”)

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 (Note 2 “Accounting Policies” (17) and Note 25 “Income Tax Expense”)

For temporary differences that are differences between carrying value of an asset or liability in the consolidated statements 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 (Note 2 “Accounting Policies” (5) and Note 39 “Fair Value of Financial 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 (Note 2 “Accounting Policies” (5) and Note 41 “Financial Risk Management”)

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 (Note 2 “Accounting Policies” (10) and Note 23 “Provisions”)

The Group Companies record certain provisions, such as provision for customer points. 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 provision is estimated on the premise of management’s decisions and the assumptions of the Group Companies. The Group Companies consider the estimation to be significant as it is probable that the changes of estimation and assumptions could have a significant influence on the calculation of the amount of the provisions.

(f) Liability Adequacy Test for Insurance Contracts (Note 2 “Accounting Policies” (11) and Note 24 “Policy Reserves and Others for Insurance Business”)

The Group Companies perform a liability adequacy test for insurance contracts in consideration of estimated present value of cash inflows such as related insurance premiums and investment income, and cash outflows such as insurance claims and benefits and operating expenses.

(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 whether control over such an entity exists.

4. Segment Information

(1) General Information

As a comprehensive internet service provider engaged in the two main activities of Internet Services and Internet Finance, 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 Company 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, online cash-back sites, travel booking sites, portal sites and digital contents sites, along with business for advertising 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 messaging and communication services and others, and management of a Japanese professional baseball team.

(2) Measurement of Segment Profit and Loss

The reported operating segment information has been prepared in accordance with IFRS as stated in Note 2. Accounting Policies, and except for certain consolidated subsidiaries, the operating segment revenue and profit or loss is presented before intersegment eliminations and other consolidation adjustments. Operating segment profit or loss is based on operating income or loss in accordance with IFRS and includes allocated corporate expenses.

The Group Companies do not allocate assets and liabilities to operating segment information reviewed by the chief operating decision maker.

For the year ended December 31, 2013

(Millions of Yen)

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

For the year ended December 31, 2014

(Millions of Yen)

	Internet Services	Internet Finance	Others	Total
Segment revenue	¥362,751	¥236,520	¥42,445	¥641,716
Segment profit or loss	58,806	48,399	(639)	106,566
Other items				
Depreciation and amortization	19,520	8,858	2,593	30,971

(Thousands of U.S. Dollars)

	Internet Services	Internet Finance	Others	Total
Segment revenue	$3,023,933	$1,971,657	$353,826	$5,349,416
Segment profit or loss	490,213	403,459	(5,326)	888,346
Other items				
Depreciation and amortization	162,721	73,841	21,616	258,178

The reconciliation of segment revenue to consolidated revenue is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Year ended December 31, 2013	Year ended December 31, 2014	Year ended December 31, 2014
Segment revenue	¥552,468	¥641,716	$5,349,416
Intercompany transactions, etc.	(33,900)	(43,151)	(359,711)
Consolidated revenue	518,568	598,565	4,989,705

The reconciliation of segment profit or loss to income before income tax is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Year ended December 31, 2013	Year ended December 31, 2014	Year ended December 31, 2014
Segment profit	¥95,391	¥106,566	$888,346
Intercompany transactions, etc.	(5,147)	(169)	(1,409)
Operating income	90,244	106,397	886,937
Financial income and expenses	(1,765)	(2,756)	(22,974)
Share of income of associates and joint ventures	131	604	5,035
Income before income tax	88,610	104,245	868,998

(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, 2013	¥129,271	¥60,074	¥36,621	¥292,602	¥518,568
Year ended December 31, 2014	141,728	77,604	43,523	335,710	598,565

(Thousands of U.S. Dollars)

	Rakuten Ichiba	Rakuten Card	Rakuten Bank	Others	Revenue from external customers
Year ended December 31, 2014	$1,181,460	$646,916	$362,813	$2,798,516	$4,989,705

(4) Geographic Information

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

For the year ended December 31, 2014

(Millions of Yen)

	Japan	Americas	Europe	Others	Total
Revenue from external customers	¥516,963	¥53,901	¥22,889	¥4,812	¥598,565
Property, plant and equipment and intangible assets	157,878	211,080	152,760	3,772	525,490

(Thousands of U.S. Dollars)

	Japan	Americas	Europe	Others	Total
Revenue from external customers	$4,309,462	$449,325	$190,805	$40,113	$4,989,705
Property, plant and equipment and intangible assets	1,316,089	1,759,586	1,273,424	31,444	4,380,543

(5) Major Customers

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.

For the year ended December 31, 2014

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

5. Cash and Cash Equivalents

Breakdown of Cash and Cash Equivalents

	Millions of Yen		Thousands of U.S. Dollars
	December 31, 2013	December 31, 2014	December 31, 2014
Cash and deposits	¥384,008	¥428,635	$3,573,149
Cash and cash equivalents	384,008	428,635	3,573,149

Funds (cash and cash equivalents) stated in the Group Companies' Consolidated Statements of Cash Flows include 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.

6. Accounts Receivable — Trade

Breakdown of Accounts Receivable — Trade

	Millions of Yen		Thousands of U.S. Dollars
	December 31, 2013	December 31, 2014	December 31, 2014
Gross amount of notes and accounts receivable — trade	¥75,299	¥91,023	$758,778
Allowance for doubtful Accounts	(1,856)	(2,152)	(17,939)
Net amount of notes and accounts receivable — trade	73,443	88,871	740,839

Accounts receivable — trade is mainly generated from sales related to the Internet Services business and is measured at amortized cost.

7. Financial Assets for Securities Business

Breakdown of Financial Assets for Securities Business

	Millions of Yen		Thousands of U.S. Dollars
	December 31, 2013	December 31, 2014	December 31, 2014
Financial assets measured at amortized cost			
Cash segregated as deposits	¥432,404	¥451,001	$3,759,595
Accounts receivable relating to investment securities transactions	427,678	275,908	2,300,000
Margin transactions assets	317,956	312,607	2,605,927
Short-term guarantee deposits	32,743	58,886	490,880
Others	8,858	12,953	107,978
Gross amount of financial assets measured at amortized cost	1,219,639	1,111,355	9,264,380
Allowance for doubtful accounts	(1,406)	(1,147)	(9,562)
Net amount of financial assets measured at amortized cost	1,218,233	1,110,208	9,254,818
Financial assets measured at FVTPL	754	680	5,669
Total financial assets for securities business	1,218,987	1,110,888	9,260,487

Investment securities held for trading purposes are included in financial assets measured at FVTPL.

Derivative assets held for trading purposes are included in “Derivative assets,” while operating investment securities are included in “Investment securities.”

8. Loans for Credit Card Business

Breakdown of Loans for Credit Card Business

	Millions of Yen		Thousands of U.S. Dollars
	December 31, 2013	December 31, 2014	December 31, 2014
Gross amount of loans for credit card business	¥564,607	¥713,249	$5,945,723
Allowance for doubtful accounts	(20,293)	(20,363)	(169,748)
Net amount of loans for credit card business	544,314	692,886	5,775,975

Loans for credit card business mainly comprise accounts receivable arising from the use of credit cards by customers based on installment contracts and similar.

Loans for credit card business are measured at amortized cost because they are classified as financial assets held as part of the Group Companies’ business model with the objective of collecting contractual cash flows, and such cash flows are limited to solely repayments of principal including interest on the principal balance outstanding.

9. Investment Securities for Banking Business

Breakdown of Investment Securities for Banking Business

	Millions of Yen		Thousands of U.S. Dollars
	December 31, 2013	December 31, 2014	December 31, 2014
Financial assets measured at amortized cost			
Trust beneficiary rights	¥23,756	¥21,306	$177,609
Domestic bonds	53,059	115,781	965,164
Foreign bonds	86,183	55,413	461,929
Others	—	12,000	100,033
Gross amount of financial assets measured at amortized cost	162,998	204,500	1,704,735
Allowance for doubtful accounts	(55)	(92)	(767)
Net amount of financial assets measured at amortized cost	162,943	204,408	1,703,968
Financial assets measured at FVTPL			
Trust beneficiary rights	1,597	—	—
Domestic bonds	8,652	8,608	71,757
Foreign bonds	24,705	9,280	77,359
Total financial assets measured at FVTPL	34,954	17,888	149,116
Financial assets measured at FVTOCI	0	1	9
Total investment securities for banking business	197,897	222,297	1,853,093

Within investment securities for banking business, investment securities held as part of the Group Companies' business model with the objective of collecting contractual cash flows limited to solely payments of principal and interest on the principal amount outstanding on a specified date in accordance with the contractual terms, are classified as financial assets measured at amortized cost, while all other investment securities are classified as financial assets measured at fair value. Within financial assets measured at fair value, investments in equity instruments are designated as financial assets measured at FVTOCI.

10. Loans for Banking Business

Breakdown of Loans for Banking Business

	Millions of Yen		Thousands of U.S. Dollars
	December 31, 2013	December 31, 2014	December 31, 2014
Gross amount of loans for banking business	¥240,618	¥322,838	$2,691,214
Allowance for doubtful accounts	(800)	(961)	(8,011)
Net amount of loans for banking business	239,818	321,877	2,683,203

Loans for banking business mainly comprise loan receivables from individual customers.

Loans for banking business are measured at amortized cost because they are defined as financial assets held as part of the Group Companies' business model with the objective of collecting contractual cash flows, and such cash flows are limited to repayments of principal including interest on the principal balance outstanding.

11. Investment Securities for Insurance Business

Breakdown of Investment Securities for Insurance Business

	Millions of Yen		Thousands of U.S. Dollars
	December 31, 2013	December 31, 2014	December 31, 2014
Trust beneficiary rights	¥—	¥1,400	$11,670
Domestic bonds	10,233	10,805	90,072
Total investment securities for insurance business	10,233	12,205	101,742

Investment securities for insurance business are measured at amortized cost because they are defined as financial assets held as part of the Group Companies' business model with the objective of collecting contractual cash flows, and such cash flows are limited to solely repayments of principal including interest on the principal balance outstanding.

12. Derivative Assets and Derivative Liabilities

The fair values and notional principal amounts of derivatives qualifying for hedge accounting and derivatives not qualifying for hedge accounting are as follows:

Derivatives Qualifying for Hedge Accounting

(Millions of Yen)

	December 31, 2013			December 31, 2014		
	Notional principal amount	Fair value		Notional principal amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
Fair value hedges						
Interest rate swap contracts	¥12,500	¥—	¥512	¥12,500	¥—	¥769
Cash flow hedges						
Interest rate swap contracts	52,274	—	538	72,098	—	830
Total	64,774	—	1,050	84,598	—	1,599

(Thousands of U.S. Dollars)

	December 31, 2014		
	Notional principal amount	Fair value	
		Assets	Liabilities
Fair value hedges			
Interest rate swap contracts	$104,201	$—	$6,410
Cash flow hedges			
Interest rate swap contracts	601,017	—	6,919
Total	705,218	—	13,329

Derivatives Not Qualifying for Hedge Accounting

(Millions of Yen)

	December 31, 2013			December 31, 2014		
	Notional principal amount	Fair value		Notional principal amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
Foreign currency contracts						
Foreign exchange forward contracts	¥95,446	¥1,596	¥29	¥97,820	¥1,672	¥46
Foreign exchange margin contracts	1,508,031	6,572	6,149	2,216,945	7,572	9,696
Subtotal of foreign currency contracts	1,603,477	8,168	6,178	2,314,765	9,244	9,742
Interest rate contracts						
Interest rate swaption contracts	184,389	4,420	795	196,828	4,682	427
Others	175	0	0	663	1	1
Total	1,788,041	12,588	6,973	2,512,256	13,927	10,170

	(Thousands of U.S. Dollars)		
	December 31, 2014		
	Notional principal amount	Fair value	
		Assets	Liabilities
Foreign currency contracts			
Foreign exchange forward contracts	$815,438	$13,938	$383
Foreign exchange margin contracts	18,480,702	63,121	80,827
Subtotal of foreign currency contracts	19,296,140	77,059	81,210
Interest rate contracts			
Interest rate swaption contracts	1,640,780	39,030	3,560
Others	5,527	8	8
Total	20,942,447	116,097	84,778

13. Investment Securities

Breakdown of Investment Securities

	Millions of Yen		Thousands of U.S. Dollars
	December 31, 2013	December 31, 2014	December 31, 2014
Financial assets measured at amortized cost	¥8,635	¥10,531	$87,788
Financial assets measured at FVTPL			
Listed	—	20	167
Unlisted	697	2,358	19,656
Total financial assets measured at FVTPL	697	2,378	19,823
Financial assets measured at FVTOCI			
Listed	11,506	6,548	54,585
Unlisted	13,187	31,049	258,828
Total financial assets measured at FVTOCI	24,693	37,597	313,413
Total investment securities	34,025	50,506	421,024

14. Other Financial Assets

Breakdown of Other Financial Assets

	Millions of Yen		Thousands of U.S. Dollars
	December 31, 2013	December 31, 2014	December 31, 2014
Financial assets measured at amortized cost			
Accounts receivable — other	¥38,246	¥47,916	$399,433
Call loans for banking business	43,000	28,000	233,411
Security deposits	4,668	5,315	44,307
Guarantee deposits	21,800	—	—
Others	51,796	63,523	529,535
Gross amount of financial assets measured at amortized cost	159,510	144,754	1,206,686
Allowance for doubtful accounts	(454)	(472)	(3,935)
Net amount of financial assets measured at amortized cost	159,056	144,282	1,202,751
Financial assets measured at FVTPL	2	1	8
Financial assets measured at FVTOCI	—	—	—
Total other financial assets	159,058	144,283	1,202,759

15. Allowance for Doubtful Accounts

Changes in the allowance for doubtful accounts by type of financial assets measured at amortized cost are as follows:

For the year ended December 31, 2013

(Millions of Yen)

	Accounts receivable — trade	Financial assets for securities business	Loans for credit card business	Investment securities for banking business	Loans for banking business	Other financial assets	Total
January 1, 2013	¥2,022	¥1,670	¥20,537	¥247	¥652	¥298	¥25,426
Increases during the period (allowance for doubtful accounts charged to expenses)	910	76	11,776	—	134	226	13,122
Increases during the period (others)	145	—	655	—	14	11	825
Decreases during the period (utilized)	(1,046)	(340)	(12,675)	—	—	(20)	(14,081)
Decreases during the period (reversals)	(2)	—	—	(192)	—	—	(194)
Decrease during the period (others)	(173)	—	—	—	—	(61)	(234)
December 31, 2013	1,856	1,406	20,293	55	800	454	24,864

For the year ended December 31, 2014

(Millions of Yen)

	Accounts receivable — trade	Financial assets for securities business	Loans for credit card business	Investment securities for banking business	Loans for banking business	Other financial assets	Total
January 1, 2014	¥1,856	¥1,406	¥20,293	¥55	¥800	¥454	¥24,864
Increases during the period (allowance for doubtful accounts charged to expenses)	585	—	16,211	37	145	63	17,041
Increases during the period (others)	347	36	777	—	20	7	1,187
Decreases during the period (utilized)	(636)	(218)	(16,918)	—	(4)	(52)	(17,828)
Decreases during the period (reversals)	—	(77)	—	—	—	(0)	(77)
Decrease during the period (others)	—	(0)	—	—	—	—	(0)
December 31, 2014	2,152	1,147	20,363	92	961	472	25,187

(Thousands of U.S. Dollars)

	Accounts receivable — trade	Financial assets for securities business	Loans for credit card business	Investment securities for banking business	Loans for banking business	Other financial assets	Total
January 1, 2014	$15,472	$11,721	$169,164	$458	$6,669	$3,785	$207,269
Increases during the period (allowance for doubtful accounts charged to expenses)	4,876	—	135,137	309	1,209	525	142,056
Increases during the period (others)	2,893	300	6,477	—	167	58	9,895
Decreases during the period (utilized)	(5,302)	(1,817)	(141,030)	—	(34)	(433)	(148,616)
Decreases during the period (reversals)	—	(642)	—	—	—	(0)	(642)
Decrease during the period (others)	—	(0)	—	—	—	—	(0)
December 31, 2014	17,939	9,562	169,748	767	8,011	3,935	209,962

16. Investments in Associates and Joint Ventures

(1) Investments in Associates

The Group Companies account for investments in associates using the equity method.

The carrying amounts of investments in associates, which are all individually insignificant, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	December 31, 2013	December 31, 2014	December 31, 2014
Total carrying amount	¥7,755	¥8,418	$70,173

Financial information on associates, which are all individually insignificant, is as follows. The following amounts represent the Group Companies' percentage of ownership.

	Millions of Yen		Thousands of U.S. Dollars
	Year ended December 31, 2013	Year ended December 31, 2014	Year ended December 31, 2014
Net income	¥460	¥487	$4,059
Other comprehensive income	54	17	142
Comprehensive income	514	504	4,201

(2) Investments in Joint Ventures

For certain investments in companies, the Group Companies have entered into contracts which require unanimous consent among the counterparties for decisions that significantly affect the returns from the investment. As the Group Companies exercise joint control with such counterparties and have rights to the investee's net assets, such companies are determined to be joint ventures and are accounted for using the equity method.

The total carrying amounts of investments in individually insignificant joint ventures are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	December 31, 2013	December 31, 2014	December 31, 2014
Total carrying amount	¥434	¥514	$4,285

Aggregate financial information on individually insignificant joint ventures is as follows. The following amounts represent the Group Companies' percentage of ownership.

	Millions of Yen		Thousands of U.S. Dollars
	Year ended December 31, 2013	Year ended December 31, 2014	Year ended December 31, 2014
Net income	¥43	¥122	$1,017
Comprehensive income	43	122	1,017

17. Property, Plant and Equipment

(1) Schedule of Changes in Property, Plant and Equipment

(Millions of Yen)

	Buildings and accompanying facilities	Furniture, Fixtures and equipment	Others	Total
January 1, 2013				
Cost	¥17,890	¥26,855	¥11,015	¥55,760
Accumulated depreciation and accumulated impairment losses	(6,217)	(17,739)	(7,661)	(31,617)
Carrying amount	11,673	9,116	3,354	24,143
Increases	1,687	5,576	4,047	11,310
Acquisition through business combinations	275	1,098	106	1,479
Disposals and sales	(65)	(242)	(210)	(517)
Impairment losss	(574)	(108)	(24)	(706)
Depreciation	(1,574)	(3,571)	(721)	(5,866)
Exchange rate differences	209	488	167	864
Other changes	0	(26)	(273)	(299)
December 31, 2013				
Cost	20,002	30,933	14,741	65,676
Accumulated depreciation and accumulated impairment losses	(8,371)	(18,602)	(8,295)	(35,268)
Carrying amount	11,631	12,331	6,446	30,408
Increase	4,871	5,128	1,323	11,322
Acquisition through business combinations	140	354	98	592
Disposal and sales	(203)	(294)	(207)	(704)
Impairment loss	(75)	(44)	(1)	(120)
Depreciation	(1,847)	(4,214)	(365)	(6,426)
Exchange rate differences	109	226	(34)	301
Other changes	(23)	1,493	(2,032)	(562)
December 31, 2014				
Cost	24,258	34,952	11,702	70,912
Accumulated depreciation and accumulated impairment losses	(9,655)	(19,972)	(6,474)	(36,101)
Carrying amount	14,603	14,980	5,228	34,811

Depreciation is presented within “Operating expenses” in the Consolidated Statements of Income.

(Thousands of U.S. Dollars)

	Buildings and accompanying facilities	Furniture, Fixtures and equipment	Others	Total
December 31, 2013				
Cost	$166,739	$257,861	$122,883	$547,483
Accumulated depreciation and accumulated impairment losses	(69,782)	(155,068)	(69,148)	(293,998)
Carrying amount	96,957	102,793	53,735	253,485
Increase	40,605	42,747	11,029	94,381
Acquisition through business combinations	1,167	2,951	817	4,935
Disposal and sales	(1,692)	(2,451)	(1,726)	(5,869)
Impairment loss	(625)	(367)	(8)	(1,000)
Depreciation	(15,397)	(35,128)	(3,043)	(53,568)
Exchange rate differences	909	1,884	(284)	2,509
Other changes	(192)	12,446	(16,939)	(4,685)
December 31, 2014				
Cost	202,217	291,364	97,549	591,130
Accumulated depreciation and accumulated impairment losses	(80,485)	(166,489)	(53,968)	(300,942)
Carrying amount	121,732	124,875	43,581	290,188

Depreciation is presented within “Operating expenses” in the Consolidated Statements of Income.

(2) Impairment of Property, Plant and Equipment

The Group Companies assess, at each reporting date, whether there are any indications that property, plant and equipment may be impaired. If any indication exists, the Group Companies estimate the recoverable amount of the asset.

In principle, the Group Companies estimate the recoverable amount of individual assets. However if estimation of the recoverable amount of individual assets is not possible, then estimation of the recoverable amount of the CGU to which the asset belongs is made. A CGU is the smallest identifiable groups of assets, which generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. As a principle, each group company is considered to be a CGU. Idle assets for which no future use is anticipated are considered individually as CGUs. Impairment losses are included in “Other expenses.”

For the year ended December 31, 2013

Impairment losses for the year ended December 31, 2013 was mainly due to the termination of contracts for certain distribution bases of Rakuten Logistics, Inc.

(3) Property, Plant and Equipment Pledged as Collateral

As of December 31, 2013

Buildings and accompanying facilities of ¥470 million are pledged as collateral for borrowings.

As of December 31, 2014

Buildings and accompanying facilities of ¥452 million ($3,768 thousand) are pledged as collateral for borrowings.

(4) Finance Leases (as Lessee)

Carrying amounts of leased assets under finance lease arrangements are as follows.

	Millions of Yen		Thousands of U.S. Dollars
	December 31, 2013	December 31, 2014	December 31, 2014
Buildings	¥5,935	¥8,245	$68,731
Furniture, fixtures and equipment	1,850	1,713	14,280
Others	1,133	325	2,709
Total	8,918	10,283	85,720

Included in the above is a baseball stadium facility, which has been donated to Miyagi Prefecture based on a franchise contract, and which is recognized as a finance lease as the Group Companies have the right of use in relation to the stadium facility. The related carrying amounts as of December 31, 2013 and 2014 were ¥6,038 million and ¥8,351 million ($69,615 thousand), respectively. There are no lease obligations associated with this lease arrangement.

Lease obligations based on finance lease contracts as of December 31, 2013 and 2014 were ¥2,663 million and ¥1,568 million ($13,071 thousand), respectively.

18. Intangible Assets

(1) Schedule of Changes in Intangible Assets

(Millions of Yen)

	Goodwill	Software	Others	Total
January 1, 2013				
Cost	¥145,093	¥99,441	¥55,538	¥300,072
Accumulated amortization and accumulated impairment losses	(37,198)	(59,434)	(15,426)	(112,058)
Carrying amount	107,895	40,007	40,112	188,014
Additions	44	20,133	3,090	23,267
Acquisition through business combinations	25,373	3,620	5,355	34,348
Disposal and sales	—	(634)	(4)	(638)
Impairment loss	(4,557)	(1,514)	(1,354)	(7,425)
Amortization	—	(14,300)	(5,900)	(20,200)
Exchange rate differences	12,343	661	4,063	17,067
Other changes	1,128	440	(120)	1,448
December 31, 2013				
Cost	193,008	122,851	68,161	384,020
Accumulated amortization and accumulated impairment losses	(50,782)	(74,438)	(22,919)	(148,139)
Carrying amount	142,226	48,413	45,242	235,881
Additions	—	24,664	3,353	28,017
Acquisition through business combinations	188,754	750	25,020	214,524
Disposal and sales	—	(1,350)	(1)	(1,351)
Impairment losses	(1,510)	(577)	(94)	(2,181)
Amortization	—	(16,211)	(7,503)	(23,714)
Exchange rate differences	34,286	832	4,507	39,625
Other changes	(111)	(57)	46	(122)
December 31, 2014				
Cost	400,929	145,857	93,214	640,000
Accumulated amortization and accumulated impairment losses	(37,284)	(89,393)	(22,644)	(149,321)
Carrying amount	363,645	56,464	70,570	490,679

Software under intangible assets mainly comprises internally generated software.

Amortization of intangible assets is presented in “Operating expenses” in the Consolidated Statements of Income.

(Thousands of U.S. Dollars)

	Goodwill	Software	Others	Total
December 31, 2013				
Cost	$1,608,936	$1,024,100	$568,197	$3,201,233
Accumulated amortization and accumulated impairment losses	(423,324)	(620,524)	(191,055)	(1,234,903)
Carrying amount	1,185,612	403,576	377,142	1,966,330
Additions	—	205,602	27,951	233,553
Acquisition through business combinations	1,573,474	6,252	208,570	1,788,296
Disposal and sales	—	(11,254)	(8)	(11,262)
Impairment losses	(12,588)	(4,810)	(783)	(18,181)
Amortization	—	(135,137)	(62,546)	(197,683)
Exchange rate differences	285,812	6,936	37,571	330,319
Other changes	(925)	(475)	383	(1,017)
December 31, 2014				
Cost	3,342,189	1,215,880	777,043	5,335,112
Accumulated amortization and accumulated impairment losses	(310,804)	(745,190)	(188,763)	(1,244,757)
Carrying amount	3,031,385	470,690	588,280	4,090,355

Software under intangible assets mainly comprises internally generated software.

Amortization of intangible assets is presented in “Operating expenses” in the Consolidated Statements of Income.

Research and development expenses recognized as expenses for the years ended December 31, 2013 and 2014 were ¥856 million and ¥2,392 million ($19,940 thousand), respectively.

Goodwill acquired through business combinations for the year ended December 31, 2013 is mainly attributable to the acquisitions of VIKI, Inc. and Direct Technology Solution SAS. The amounts of such goodwill were ¥16,353 million and ¥6,195 million, respectively were acquired.

Goodwill acquired through business combinations for the year ended December 31, 2014 is mainly attributable to the acquisitions of Ebates Inc. and VIBER MEDIA LTD. For details, please refer to Note 44 “Business Combinations.”

Acquisitions of Others within Intangible Assets through business combinations for the year ended December 31, 2014 are mainly attributable to customer-related intangible asset acquired in the acquisition of Ebates Inc. of ¥14,740 million ($122,874 thousand), and trademarks and technology obtained through the acquisition of VIBER MEDIA LTD. of ¥7,933 million ($66,130 thousand).

(2) Impairment of Goodwill and Intangible Assets with Indefinite Useful Lives

The balance of goodwill and intangible assets with indefinite useful lives of each CGU is as follows. Intangible assets with indefinite useful lives mainly comprise trademarks. These trademarks, which were acquired in business combinations, will basically continue to exist as long as the business continues and thus are considered to be intangible assets with indefinite useful lives.

(Millions of Yen)

Operating segment	CGU	December 31, 2013 Goodwill	December 31, 2013 Intangible assets with indefinite useful lives	December 31, 2014 Goodwill	December 31, 2014 Intangible assets with indefinite useful lives
Internet Services	PRICEMINISTER S.A.S.	¥15,519	¥6,462	¥15,679	¥6,528
	Rakuten Kobo Inc.	19,766	32	20,813	34
	Ebates Inc.	—	—	99,493	—
	Others	57,101	926	78,126	931
	Total	92,386	7,420	214,111	7,493
Internet Finance	Rakuten Bank, Ltd.	32,886	—	32,886	—
	Others	13,731	—	14,085	—
	Total	46,617	—	46,971	—
Others	VIBER MEDIA LTD.	—	—	99,349	—
	Others	3,223	—	3,214	—
	Total	3,223	—	102,563	—
Total		142,226	7,420	363,645	7,493

(Thousands of U.S. Dollars)

Operating segment	CGU	December 31, 2014 Goodwill	December 31, 2014 Intangible assets with indefinite useful lives
Internet Services	PRICEMINISTER S.A.S.	$130,702	$54,418
	Rakuten Kobo Inc.	173,499	283
	Ebates Inc.	829,385	—
	Others	651,267	7,761
	Total	1,784,853	62,462
Internet Finance	Rakuten Bank, Ltd.	274,141	—
	Others	117,414	—
	Total	391,555	—
Others	VIBER MEDIA LTD.	828,185	—
	Others	26,792	—
	Total	854,977	—
Total		3,031,385	62,462

For the year ended December 31, 2013

For the year ended December 31, 2013, an impairment loss of ¥4,557 million relating to goodwill allocated to the CGU of others in the Internet Services segment was recorded in “Other expenses” in the Consolidated Statements of Income. From the year ended December 31, 2014, of the amount of goodwill allocated to Rakuten Bank, Ltd. (CGU in the Internet Finance segment), ¥1,500 million was recorded as goodwill for Others (CGU) in the Internet Finance segment, following the transfer of the unit’s investment trust business to Rakuten Securities, Inc.

For the year ended December 31, 2014

An impairment loss of ¥1,510 million ($12,588 thousand) for the CGU classified as “Others” in the Internet Services segment was recorded under “Other expenses” in the Consolidated Statements of Income.

When conducting an impairment test for goodwill and intangible assets with indefinite useful lives, the Group Companies, as a general rule, consider each company to be a CGU and allocate goodwill and intangible assets with indefinite useful lives to the CGUs expected to benefit from synergies associated with business combinations. A CGU is the smallest identifiable group of assets, which generates cash inflows that are largely independent of the cash inflows from other assets or group of assets.

The Group Companies perform impairment testing of goodwill at least annually, regardless of whether there is any indication of impairment. Intangible assets with indefinite useful lives are not amortized; instead they are tested for impairment annually. The Group Companies individually determine the timing of impairment test for goodwill and intangible assets with indefinite useful lives taking into consideration the timing of the formulation of the relevant business plan. Indications of impairment are also assessed every quarter; and if any such indication exists, impairment testing is performed.

The recoverable amount of a CGU with allocated goodwill is the higher of value in use and fair value less costs of disposal. On December 31, 2014, the recoverable amounts of all CGUs to which goodwill was allocated, except for Ebates Inc. (CGU) and VIBER MEDIA LTD. (CGU), were determined with reference to their calculated values in use. The recoverable amounts of Ebates Inc. and VIBER MEDIA LTD. were determined based on their fair values less costs of disposal.

Value in use is calculated based on the business plans approved by the management of each CGU, using pre-tax, estimated future cash flows for primarily three to five years and other assumptions for a three to five year period. These business plans have been drawn up based primarily on gross merchandise sales in the Internet Services segment, and the number of accounts and the number of registered members in the Internet Finance segment. For periods beyond those covered by the business plans, the terminal value is assessed.

Terminal value is calculated using the estimated growth rate of each CGU. Also the pre-tax discount rate used in the assessment of value in use is calculated for each CGU.

The growth rates used in predicting cash flows for periods beyond those covered by the business plans of each CGU reflect the status of the country and the industry to which the CGU belongs and do not exceed the average long-term growth rate of the industry in which the CGU is active. Pre-tax discount rates used in calculating terminal value reflect the inherent risks of the relevant businesses of each CGU. Discount rates are determined based on comparable companies of each CGU, incorporating market interest rates, the size of the subsidiary comprising the CGU, and other factors.

Fair value less costs of disposal is based on an estimated fair value less costs of disposal based on the discounted cash flow method for a five to ten year period. This measurement of fair value is classified as Level 3 in the fair value hierarchy due to the unobservable inputs used in this valuation technique.

Additionally, the business plan, which forms the basis for the measurement of the recoverable amount in the impairment tests of goodwill and intangible assets with indefinite useful lives, is compared with past performance and consideration is made as to whether the business plan is a reasonable basis for predicting future cash flows.

Significant assumptions used in the calculation of the recoverable amount as of December 31, 2013 and 2014 are as follows. The following estimates have been used in the analysis of each CGU.

Operating segment	CGU	December 31, 2013		December 31, 2014	
		Growth rate	Discount rate	Growth rate	Discount rate
Internet Services	PRICEMINISTER S.A.S.	2.0%	12.6%	2.0%	10.6%
	Rakuten Kobo Inc.	3.0%	13.7%	3.0%	15.3%
	Ebates Inc.	-	-	3.0%	15.2%
	Others	2.0%~5.5%	9.4%~ 32.3%	2.0%~5.0%	8.3%~ 27.4%
Internet Finance	Rakuten Bank, Ltd.	2.0%	10.8%	2.0%	10.4%
	Others	2.0%	10.3%~ 20.5%	2.0%	12.9%~ 20.2%
Others	VIBER MEDIA LTD.	-	-	3.0%	33.3%
	Others	2.0%	12.3%	2.0%	13.2%

Sensitivity Analysis

The Group Companies have recorded goodwill and intangible assets with indefinite useful lives for PRICEMINISTER S.A.S. (CGU) and Rakuten Kobo Inc. (CGU). For the year ended December 31, 2014, since the amounts by which the recoverable amounts exceed the carrying amounts in PRICEMINISTER S.A.S. and Rakuten Kobo Inc. remain low, if the major assumptions used in impairment test were to change within a reasonably predictable range, there is a possibility that impairment would be occurred. The recoverable amounts of other CGUs to which goodwill has been allocated significantly exceed their carrying amounts, therefore the Group Companies judge that significant impairment is unlikely occurred for these CGUs, even if the major assumptions used in impairment test were to change within a reasonably predictable range.

(3) Impairment of Intangible Assets (Except for Goodwill and Intangible Assets with Indefinite Useful Lives)

The Group Companies assess, at each reporting date, whether there is an indication that intangible assets (except for goodwill and intangible assets with indefinite useful lives) may be impaired. If any indication exists, the Group Companies estimate the recoverable amount of the asset.

In principle, the Group Companies estimate the recoverable amount for the individual asset, but if estimation of the recoverable amount of individual assets is not possible, an estimation of the recoverable amount of the CGU to which the asset belongs is made. Idle assets for which future use is not anticipated are considered individually.

For the year ended December 31, 2013

In the year ended December 31, 2013, an impairment loss of ¥2,868 million on intangible assets (except for goodwill and intangible assets with indefinite useful lives) arising in the Internet Services segment was recorded within “Other expenses” in the Consolidated Statements of Income.

For the year ended December 31, 2014

In the year ended December 31, 2014, an impairment loss of ¥671 million ($5,594 thousand) on intangible assets (except for goodwill and intangible assets with indefinite useful lives) arising in the Internet Services and Internet Finance segments was recorded within “Other expenses” in the Consolidated Statements of Income.

19. Deposits for Banking Business

Breakdown of Deposits for Banking Business

	Millions of Yen		Thousands of U.S. Dollars
	December 31, 2013	December 31, 2014	December 31, 2014
Financial liabilities measured at amortized cost			
Demand deposits	¥556,765	¥628,330	$5,237,829
Time deposits	323,977	437,645	3,648,258
Total financial liabilities measured at amortized cost	880,742	1,065,975	8,886,087
Financial liabilities measured at FVTPL			
Time deposits	79,218	71,220	593,698
Total deposits for banking business	959,960	1,137,195	9,479,785

20. Financial Liabilities for Securities Business

Breakdown of Financial Liabilities for Securities Business

	Millions of Yen		Thousands of U.S. Dollars
	December 31, 2013	December 31, 2014	December 31, 2014
Accounts payable relating to investment securities transactions	¥425,332	¥275,320	$2,295,098
Margin transactions liabilities	44,820	46,858	390,614
Deposits received	329,307	343,604	2,864,321
Borrowings secured by securities	118,774	136,299	1,136,204
Guarantee deposits received	158,824	193,027	1,609,095
Others	914	33	275
Total financial liabilities for securities business	1,077,971	995,141	8,295,607

Financial liabilities for securities business are measured at amortized cost.

Derivative liabilities classified as held for trading are included in “Derivative liabilities.”

21. Bonds and Borrowings

Schedule of Bonds

			Millions of Yen		Thousands of U.S. Dollars
Name	Type	Interest rate	December 31, 2013	December 31, 2014	December 31, 2014
Rakuten, Inc.	Rakuten, Inc. The 1st unsecured bond Currency: JPY Maturity: three years	0.377%	¥—	¥9,960	$83,028
Rakuten, Inc.	Rakuten, Inc. The 2nd unsecured bond Currency: JPY Maturity: three years	0.38%	—	19,897	165,864
Rakuten Card Co., Ltd.	The 1st unsecured bond Currency: JPY Maturity: five years	0.91%	1,339	1,043	8,694
Fusion Communications Corporation	The 3rd unsecured bond Currency: JPY Maturity: five years	0.64%	480	240	2,001
	Total bonds	—	1,819	31,140	259,587

All bonds are measured at amortized cost.

The nominal interest rates applied for each bond in the year ended December 31, 2013 or 2014 stated in the “Interest rate” column differ from the effective interest rates.

Schedule of Borrowings

		Millions of Yen		Thousands of U.S. Dollars
	Interest rate	December 31, 2013	December 31, 2014	December 31, 2014
Short-term debt	0.22% ~3.90%	¥147,399	¥155,511	$1,296,357
Long-term debt				
Floating-rate debt Maturity: 1 to 9 years (JPY) (Note)	0.484% ~2.44%	161,760	329,805	2,749,292
Fixed-rate debt Maturity: 2 to 25 years (JPY)	0.528% ~4.38%	21,905	26,971	224,833
Commercial paper	0.2% ~0.65%	56,800	46,500	387,629
Total borrowings	—	387,864	558,787	4,658,111

All borrowings are measured at amortized cost.

The nominal interest rates applied for each borrowing in the year ended December 31, 2013 or 2014 stated in the “Interest rate” column differ from the effective interest rates.

(Note) The above borrowings include the underlying hedged items of cash flow hedges where floating rate debt is swapped for fixed rate debt, and the interest rates stated in the “Interest rate” column incorporate the effect of the cash flow hedges.

22. Other Financial Liabilities

Breakdown of Other Financial Liabilities

	Millions of Yen		Thousands of U.S. Dollars
	December 31, 2013	December 31, 2014	December 31, 2014
Other payables	¥71,973	¥99,747	$831,502
Accrued expenses	23,835	28,360	236,412
Deposits received	83,781	90,504	754,451
Margin deposits received	32,068	3,135	26,134
Others	15,114	20,870	173,975
Total other financial liabilities	226,771	242,616	2,022,474

Other financial liabilities are measured at amortized cost.

23. Provisions

(1) Schedule of Changes in Provisions

(Millions of Yen)

	Provision for customer points	Others	Total
January 1, 2013	¥25,676	¥3,938	¥29,614
Increases during the period (provisions made)	34,641	2,526	37,167
Increases during the period (others)	60	1,370	1,430
Decreases during the period (provisions used)	(25,591)	(1,182)	(26,773)
Decreases during the period (others)	(206)	(212)	(418)
December 31, 2013	34,580	6,440	41,020
Increases during the period (provisions made)	39,292	1,595	40,887
Increases during the period (others)	287	367	654
Decreases during the period (provisions used)	(34,388)	(2,752)	(37,140)
Decreases during the period (others)	(244)	(1,208)	(1,452)
December 31, 2014	39,527	4,442	43,969

(Thousands of U.S. Dollars)

	Provision for customer points	Others	Total
December 31, 2013	$288,263	$53,684	$341,947
Increases during the period (provisions made)	327,543	13,296	340,839
Increases during the period (others)	2,392	3,060	5,452
Decreases during the period (provisions used)	(286,662)	(22,941)	(309,603)
Decreases during the period (others)	(2,034)	(10,070)	(12,104)
December 31, 2014	329,502	37,029	366,531

(2) Provision for Customer Points

The Group Companies operate points programs, including the Rakuten Super Points program, and grant points to customers as part of product sales, provisioning of services, and based on customer usage of the Group Companies' assets, the completion of various membership registrations, customer referrals and limited-time promotions. Customers are able to exchange accumulated points for products and services, obtain discounts, or transfer their points to point programs of other companies. Points have an expiry date and once they expire a customer forfeits the right to use them.

In anticipation of the future use of such points by customers, the Group Companies recorded a provision for customer points at an estimated amount based on historical experience as the majority of points granted to customers are borne by the registered retailers, which are not related to the Group Companies, in Rakuten Ichiba. These are estimates and there is an inherent uncertainty regarding the extent of usage of such points by customers.

(3) Other Provisions

Other provisions include asset retirement obligations and provision for loss on interest repayments.

These provisions are attributable to transactions in the ordinary course of business, and, are not individually significant.

24. Policy Reserves and Others for Insurance Business

(1) Breakdown of policy reserves and others for insurance business

	Millions of Yen		Thousands of U.S. Dollars
	December 31, 2013	December 31, 2014	December 31, 2014
Reserve for outstanding claims	¥1,796	¥1,863	$15,530
Liability reserves	17,056	17,984	149,917
Total policy reserves and others for insurance business	18,852	19,847	165,447

Regarding the funding method for liability reserves, the method stipulated in the Notification No. 48 of the Ministry of Finance, 1996 is applied for contracts subject to standard liability reserves, and the level premium method is applied for contracts not subject to standard liability reserves. Mortality rates based on Standard Mortality Table 2007 (Standard Mortality Table 1996 for contracts with an effective date on or before March 31, 2007) and a product crediting rate of 1.0% (1.5% for contracts with an inception date of policy on or before March 31, 2013 and 2.0% for contracts with an effective date on or before March 31, 2001) are used for the calculation of liability reserves.

The breakdown of changes in policy reserves is as follows.

		Millions of Yen		Thousands of U.S. Dollars
		December 31, 2013	December 31, 2014	December 31, 2014
Balance at the beginning of the year		¥18,496	¥18,852	$157,152
Insurance premium (net)	(Note 1)	13,849	14,570	121,457
Insurance claims and other payments		(10,859)	(10,165)	(84,736)
Other changes	(Note 2)	(2,634)	(3,410)	(28,426)
Balance at the end of the year		18,852	19,847	165,447

(Notes) 1 The amount is calculated by deducting costs allocated to the operation of the insurance business from insurance revenue, etc.

2 The amount includes interest on liability reserves, mortality gain, etc.

(2) Liability Adequacy Test for Insurance Contracts

The Group Companies perform a liability adequacy test for insurance contracts taking into consideration estimated present value of cash inflows, such as related insurance premiums and investment income, and cash outflows, such as insurance claims and benefits and operating expenses. As a result of testing, the amount of the liability was considered to be adequate, and no additional recognition of liability and expense was recognized.

(3) Insurance Risk

For sound and appropriate insurance business operations, it is important to accurately comprehend and adequately manage increasingly diversified and complex risks. Therefore, a cross-organizational risk management framework was developed, and the role and process at departments responsible for risk management were clarified. The Group Companies ensure appropriate business operations by having all employees and officers fully understand the importance of risk management. Specifically, the Group Companies established a cross-organizational “Risk Management Committee,” and undertake the following overall risk management activities: appointing departments responsible for risk management according to the type of risk; developing a risk management framework; comprehending, analyzing and assessing risk status; and instructing operational departments.

Concerning insurance underwriting risk as a major risk in the insurance business, the Group Companies have identified and analyzed risks through regular monitoring of the frequency of insured events and surrender ratio. In developing new products, risk analysis is carried out in consideration of an appropriate balance with profitability.

Under Japanese laws and regulations, life insurance companies are required to calculate risks associated with payments of insurance claims and benefits and risks associated with asset management in preparation for the occurrence of various risks to which life insurance companies are exposed on a scale beyond a normally predictable level. The amounts equivalent to risks before tax are as follows, which are recognized as representing the impact on the Consolidated Statements of Income in the event of occurrence of such risks. The confidence level of risk quantity is generally assumed to be 95%, with variance depending on the type of risk.

	Millions of Yen		Thousands of U.S. Dollars
	December 31, 2013	December 31, 2014	December 31, 2014
Insurance risk impact amount	¥1,100	¥378	$3,151
Third-sector insurance risk impact amount	1,099	912	7,603
Product crediting rate risk impact amount	3	3	25
Minimum guarantee risk impact amount	—	—	—
Investment risk impact amount	1,051	1,108	9,236
Minimum business risk impact amount	65	48	400

The Group Companies only handle standard insurance products, and insured events are mainly death (first sector product), hospitalization and surgery, etc. (third sector product). The policy period of insurance products is mainly 10 years and lifetime, and the insurance liabilities vary with the acquisition of new contracts, occurrence of insured events and contract cancellations, etc.

In future periods covered by the liability adequacy test it is expected that insurance revenues will exceed the associated insurance costs.

25. Income Tax Expense

The deferred tax assets and liabilities as of December 31, 2013 and 2014 include the following:

	Millions of Yen		Thousands of U.S. Dollars
	December 31, 2013	December 31, 2014	December 31, 2014
Deferred tax assets			
Tax losses carried forward	¥17,380	¥17,329	$144,456
Allowance for doubtful accounts	4,032	4,190	34,928
Provision for customer points	13,113	14,150	117,956
Taxable goodwill	3,626	1,774	14,788
Others	14,728	12,869	107,278
Total	52,879	50,312	419,406
Deferred tax liabilities			
Tax deductible losses due to transfer of shares	(7,568)	(135)	(1,125)
Gains and losses of financial assets measured at FVTOCI	(3,555)	(1,479)	(12,329)
Intangible assets	(14,926)	(20,191)	(168,314)
Others	(4,359)	(5,938)	(49,500)
Total	(30,408)	(27,743)	(231,268)
Net amount of deferred tax assets			
Deferred tax assets	31,594	35,006	291,814
Deferred tax liabilities	(9,123)	(12,437)	(103,676)
Net	22,471	22,569	188,138

Deferred tax assets related to tax losses carried forward as of December 31, 2013 and 2014 are mainly recognized by one of the Company's subsidiaries, Rakuten Bank, Ltd. In Rakuten Bank, Ltd., due to non-performing loans and investment securities, which gave rise to tax losses carried forward in the past, being reduced to controllable levels, and an environment under which it can steadily produce continuous and stable earnings made possible through various initiatives aimed toward capturing customers and ensuring stable performance as a result of joining the Group Companies, tax losses carried forward were partially deducted in calculating Rakuten Bank's taxable income for the years ended December 31, 2013 and 2014. In addition, it is considered to be highly probable that future taxable income will be available.

The changes in net deferred tax assets and liabilities were as follows:

For the year ended December 31, 2013

(Millions of Yen)

	January 1, 2013	Recognized in profit or loss	Recognized in other comprehensive income	Changes in scope of consolidation	Others	December 31, 2013
Tax losses carried forward	¥26,362	¥(9,204)	¥222	¥—	¥—	¥17,380
Allowance for doubtful accounts	3,474	558	—	—	—	4,032
Provision for customer points	9,786	3,327	—	—	—	13,113
Taxable goodwill	4,916	(1,290)	—	—	—	3,626
Tax deductible losses due to transfer of shares	(7,568)	—	—	—	—	(7,568)
Gains and losses of financial assets measured at FVTOCI	(1,233)	—	(2,322)	—	—	(3,555)
Intangible assets	(12,199)	645	(853)	(2,519)	—	(14,926)
Others	10,592	(740)	79	—	438	10,369
Total	34,130	(6,704)	(2,874)	(2,519)	438	22,471

For the year ended December 31, 2014

(Millions of Yen)

	January 1, 2014	Recognized in profit or loss	Recognized in other comprehensive income	Changes in scope of consolidation	Others	December 31, 2014
Tax losses carried forward	¥17,380	¥(574)	¥431	¥92	¥—	¥17,329
Allowance for doubtful accounts	4,032	158	—	—	—	4,190
Provision for customer points	13,113	1,037	—	—	—	14,150
Taxable goodwill	3,626	(1,852)	—	—	—	1,774
Tax deductible losses due to transfer of shares (Note)	(7,568)	7,433	—	—	—	(135)
Gains and losses of financial assets measured at FVTOCI	(3,555)	—	2,076	—	—	(1,479)
Intangible assets	(14,926)	2,287	(1,239)	(6,313)	—	(20,191)
Others	10,369	(4,098)	(175)	734	101	6,931
Total	22,471	4,391	1,093	(5,487)	101	22,569

(Notes) The amount recognized in profit or loss represents the amount of an extinguishment of deferred tax liabilities following the merger between the Company and former Rakuten Travel, Inc.

(Thousands of U.S. Dollars)						
	January 1, 2014	Recognized in profit or loss	Recognized in other comprehensive income	Changes in scope of consolidation	Others	December 31, 2014
Tax losses carried forward	$144,882	$(4,785)	$3,592	$767	$—	$144,456
Allowance for doubtful accounts	33,611	1,317	—	—	—	34,928
Provision for customer points	109,311	8,645	—	—	—	117,956
Taxable goodwill	30,227	(15,439)	—	—	—	14,788
Tax deductible losses due to transfer of shares	(63,087)	61,962	—	—	—	(1,125)
Gains and losses of financial assets measured at FVTOCI	(29,635)	—	17,306	—	—	(12,329)
Intangible assets	(124,425)	19,065	(10,328)	(52,626)	—	(168,314)
Others	86,437	(34,161)	(1,459)	6,119	842	57,778
Total	187,321	36,604	9,111	(45,740)	842	188,138

The breakdown of deductible temporary differences, tax losses carried forward and tax credits carried forward for which no deferred tax asset is recognized in the consolidated statements of financial position is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	December 31, 2013	December 31, 2014	December 31, 2014
Deductible temporary differences	¥11,031	¥8,434	$70,307
Unused tax losses carried forward	27,178	33,391	278,351
Tax credits carried forward	215	75	625
Total	38,424	41,900	349,283

Deferred tax assets associated with the above are not recognized, as it is unlikely that future taxable income necessary for the Group Companies to utilize their benefits would be generated.

Tax losses carried forward for which no deferred tax asset is recognized in the consolidated statements of financial position, if unutilized, will expire as follows:

	Millions of Yen		Thousands of U.S. Dollars
	December 31, 2013	December 31, 2014	December 31, 2014
One year or less	¥309	¥643	$5,360
Over one year to five years	3,533	2,703	22,533
Over five years	23,336	30,045	250,458
Total	27,178	33,391	278,351

There are no deductible temporary differences with an expiry date or significant temporary differences associated with investments in subsidiaries and associates accounted for using the equity method for which there are unrecognized deferred tax liabilities. There will be no significant impact on the Group Companies' tax payment, even if the retained earnings of the subsidiaries or associates are remitted to the Group Companies in the future.

Breakdown of income tax expense recognized through income is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Year ended December 31, 2013	Year ended December 31, 2014	Year ended December 31, 2014
Current tax expense			
Income tax expense for net income	¥38,425	¥37,533	$312,879
Subtotal	38,425	37,533	312,879
Deferred tax expense			
Generation and reversal of temporary difference	(2,500)	(4,965)	(41,389)
Changes in unused tax losses carried forward	9,204	574	4,785
Subtotal	6,704	(4,391)	(36,604)
Total income tax expense	45,129	33,142	276,275

Reconciliations between the tax rate in Japan and effective tax rate on income tax expense as presented in the Consolidated Statements of Income are as follows:

(%)

	Year ended December 31, 2013	Year ended December 31, 2014
Statutory tax rate in Japan	38.0	38.0
(Reconciliations)		
Permanent non-deductible items	1.9	3.7
Permanent non-taxable items	(0.5)	(2.4)
Effect from assessing recoverability of deferred tax assets	6.2	(4.3)
Differences due to statutory tax rate of subsidiaries (Note 1)	3.3	1.8
Extinguishment of deferred tax Liabilities related to tax deductible losses due to transfer of shares (Note 2)	—	(7.1)
Others	2.0	2.1
Effective tax rate on income tax expense	50.9	31.8

(Notes) 1 The difference is due to difference in the statutory tax rate of Japan, where the Company is located, and that of the other jurisdictions where certain subsidiaries are located.

2 This represents the amount of an extinguishment of deferred tax liabilities following the merger between the Company and former Rakuten Travel, Inc.

26. Common Stock, Capital Surplus, Retained Earnings and Treasury Stock

Common Stock

Schedule of shares authorized to be issued and total number of shares issued.

(Thousands of shares)

	Total number of authorized shares (Common stock with no par value)	Total number of shares issued (Common stock with no par value)
January 1, 2013	3,941,800	1,320,627
Changes during the period: Increases due to issuance of common stock	—	3,236
December 31, 2013	3,941,800	1,323,863
Changes during the period: Increases due to issuance of common stock	—	4,740
December 31, 2014	3,941,800	1,328,603

Capital Surplus

The Companies Act of Japan (hereinafter referred to as the “Companies Act”) requires that at least 50% of the proceeds of certain issues of common shares be credited to common stock, while the remainder of the proceeds be credited to capital reserve included in capital surplus. The Companies Act permits, upon approval at the General Shareholders’ Meeting, the transfer of amounts from capital reserve to common stock.

Retained Earnings

The Companies Act requires that an amount equal to 10% of dividends of retained earnings be appropriated as capital reserve (within capital surplus) or as legal reserve (within retained earnings) until the aggregate amount of the capital reserve and the legal reserve equals to 25% of common stock. The legal reserve may be used to eliminate or reduce a deficit or be transferred to retained earnings upon approval at the General Shareholders’ Meeting.

Retained earnings available for dividends under the Companies Act are based on the amount recorded in the Company’s general accounting records prepared in accordance with JGAAP.

Treasury Stock

Schedule of Changes in Treasury Stock

(Thousands of shares)

	Year ended December 31, 2013	Year ended December 31, 2014
January 1	6,008	6,008
Acquisition	0	—
Disposal	—	—
December 31	6,008	6,008

Stocks of the Company Held by Subsidiaries or Associates

Schedule of Changes in Stocks of the Company Held by Subsidiaries or Associates

(Thousands of shares)

	Year ended December 31, 2013	Year ended December 31, 2014
January 1	79	79
Acquisition	—	—
Disposal	—	—
December 31	79	79

27. Revenue

Breakdown of revenue for the years ended December 31, 2013 and 2014 is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Year ended December 31, 2013	Year ended December 31, 2014	Year ended December 31, 2014
Sales of goods	¥59,072	¥58,756	$489,796
Rendering of services (Note)	382,502	438,918	3,658,870
Interest income	69,366	89,378	745,065
Others	7,628	11,513	95,974
Total	518,568	598,565	4,989,705

(Note) Rendering of services includes revenue arising from insurance contracts amounting to ¥26,838 million for the year ended December 31, 2013 and ¥31,768 million ($264,822 thousand) for the year ended December 31, 2014.

28. Operating Expenses

Breakdown of operating expenses for the years ended December 31, 2013 and 2014 is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Year ended December 31, 2013	Year ended December 31, 2014	Year ended December 31, 2014
Advertising and promotion expenditures	¥75,408	¥83,884	$699,266
Employee benefits expenses	93,206	108,898	907,786
Depreciation and amortization	26,086	30,140	251,250
Communication and maintenance expenses	18,254	19,055	158,845
Consignment and subcontract expenses	27,959	31,343	261,279
Allowance for doubtful accounts charged to expenses	12,928	16,964	141,414
Cost of sales of merchandise and services rendered	84,625	101,367	845,007
Interest expense for finance business	4,864	5,590	46,599
Commission fee expense for finance business	5,300	6,399	53,343
Insurance claims and other payments, and provision of policy reserves and others for insurance business	11,215	15,963	133,069
Others	60,529	71,676	597,499
Total	420,374	491,279	4,095,357

Employee expenses (employee benefits expenses) are as follows:

1) Schedule of Employee Expenses

	Millions of Yen		Thousands of U.S. Dollars
	Year ended December 31, 2013	Year ended December 31, 2014	Year ended December 31, 2014
Wages and salaries	¥79,135	¥92,745	$773,133
Retirement benefits	3,864	4,733	39,455
Legal welfare expenses	5,497	6,088	50,750
Stock option expenses relating to directors and employees (Note)	1,679	1,942	16,189
Other salaries	3,031	3,390	28,259
Total	93,206	108,898	907,786

(Note) Please refer to Note 35. Share-based Payments.

2) Number of Employees

	December 31, 2013	December 31, 2014
Number of employees	10,867	11,723

(Note) Number of employees represents the number of persons employed at the Group Companies.

29. Other Income and Other Expenses

(1) Breakdown of Other Income

	Millions of Yen		Thousands of U.S. Dollars
	Year ended December 31, 2013	Year ended December 31, 2014	Year ended December 31, 2014
Foreign exchange gain	462	¥3,133	$26,117
Gain on step acquisition	—	1,437	11,979
Others	1,369	2,154	17,956
Total	1,831	6,724	56,052

(2) Breakdown of Other Expenses

	Millions of Yen		Thousands of U.S. Dollars
	Year ended December 31, 2013	Year ended December 31, 2014	Year ended December 31, 2014
Impairment losses	¥5,485	¥2,301	$19,181
Disposal of property, plant and equipment, and intangible assets	908	968	8,070
Restructuring loss (Note)	—	2,875	23,966
Others	3,388	1,469	12,246
Total	9,781	7,613	63,463

(Note) This represents losses due to changes in the strategies of certain subsidiaries.

30. Financial Income and Financial Expenses

(1) Breakdown of Financial Income

	Millions of Yen		Thousands of U.S. Dollars
	Year ended December 31, 2013	Year ended December 31, 2014	Year ended December 31, 2014
Interest income	¥140	¥184	$1,534
Dividend income	57	46	383
Total	197	230	1,917

(2) Breakdown of Financial Expenses

	Millions of Yen		Thousands of U.S. Dollars
	Year ended December 31, 2013	Year ended December 31, 2014	Year ended December 31, 2014
Interest expense	¥1,676	¥2,758	$22,991
Commission fee	286	228	1,900
Total	1,962	2,986	24,891

31. Earnings per Share

Basic earnings per share is calculated by dividing the net income attributable to owners of the Company 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 is 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.

The net income attributable and the weighted average number of shares used in the calculation of earnings per share are as follows:

	Year ended December 31, 2013			Year ended December 31, 2014		
	Basic	Adjustments	Diluted	Basic	Adjustments	Diluted
Net income attributable to owners of the Company (Millions of Yen) [Thousands of U.S. Dollars]	¥42,900	¥(7)	¥42,893	¥70,614 [$588,646]	¥(6) [$(50)]	¥70,608 [$588,596]
Weighted average number of shares (Thousands of shares)	1,315,997	7,378	1,323,375	1,320,627	7,815	1,328,442
Earnings per share (yen) [U.S. Dollars]	¥32.60	¥(0.19)	¥32.41	¥53.47 [$0.45]	¥(0.32) [$(0.01)]	¥53.15 [$0.44]

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, 2013		Year ended December 31, 2014
Subscription Rights to Shares of the Company Stock options in accordance with the provisions of Article 236, Article 238 and Article 239 of the Companies Act March 28, 2013		—
Resolution at General Shareholders' Meeting	12 thousand shares	

There were no transactions during the period from December 31, 2014 to the date of approval of the consolidated financial statements that materially impacted the calculation of earnings per share.

32. Assets Pledged as Collateral and Assets Received as Collateral

(1) Assets Pledged as Collateral

The Group Companies pledge assets mainly to secure debts from borrowing contracts, e-money deposits, margin trading and security lending transactions conducted under normal terms and conditions, and as monetary deposits in derivative transactions.

The carrying amounts of assets pledged as collateral for liabilities and contingent liabilities by the Group Companies are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	December 31, 2013	December 31, 2014	December 31, 2014
Cash and cash equivalents	¥1,110	¥1,125	$9,378
Loans for credit card business (Note)	45,400	45,803	381,819
Investment securities	6,831	6,827	56,911
Total	53,341	53,755	448,108

(Note) Loans for credit card business include securitized receivables.

In addition to the above, investment securities for banking business, which were pledged as collateral for foreign exchange settlements, derivative trading and other transactions, and for commitment lines as of December 31, 2013 and 2014, were ¥50,583 million and ¥51,157 million ($426,450 thousand), respectively.

Within other financial assets, guarantee deposits for futures trading held by a consolidated subsidiary involved in the banking business as of December 31, 2013 and 2014, were ¥8,014 million and ¥3 million ($25 thousand), respectively.

Within financial assets for securities business, short-term guarantee deposits as of December 31, 2013 and 2014, were ¥32,743 million and ¥58,886 million ($490,880 thousand), respectively.

For assets pledged as collateral, the counterparty has no right to sell or to repledge the collateral.

(2) Assets Received as Collateral

The Group Companies receive securities pledged as collateral in lieu of guarantee deposits and collateral for other transactions, which are conducted under normal terms and conditions. The Group Companies hold the rights to sell or repledge the received assets, provided that the securities are returned at the time the relevant transactions are completed. The fair values of securities received by the Group Companies as collateral to which the Group Companies held the right to sell or repledge the collateral as of December 31, 2013 and 2014 were ¥719,585 million and ¥728,713 million ($6,074,633 thousand), respectively. Within such collateral, the fair values of the collateral actually sold or pledged as of December 31, 2013 and 2014 were ¥201,333 million and ¥195,346 million ($1,628,426 thousand), respectively.

33. Hedge Accounting

(1) Fair Value Hedges

In order to offset the risk of fair value fluctuation on certain fixed rate bonds as a result of fluctuations in interest rates, subsidiaries of the Group Companies have entered into fixed-for-floating interest rate swap contracts with financial institutions as fair value hedges. The fair values of the interest rate swaps as hedging instruments are stated in Note 12. Derivative Assets and Derivative Liabilities.

Gains or losses from remeasuring such interest rate swaps at fair value were a gain of ¥54 million for the year ended December 31, 2013 and a loss of ¥257 million ($2,142 thousand) in the year ended December 31, 2014. Additionally, gains or losses on the underlying hedged items due to the hedged risks were a loss of ¥54 million for the year ended December 31, 2013 and a gain of ¥257 million ($2,142 thousand) for the year ended December 31, 2014.

(2) Cash Flow Hedges

In order to offset the risk of fluctuations on future cash flows from floating rate borrowings, subsidiaries of the Group Companies have entered into fixed-for-floating interest rate swap contracts with financial institutions as cash flow hedges. The purpose of these hedges is to hedge the risk of future fluctuations of cash flows from borrowings by effectively converting floating rate borrowings into fixed rate borrowings. As a result of these hedges, it will become possible to offset the fluctuations of cash flows from floating rate borrowings with the fluctuations of cash flows from the interest rate swaps. Existing hedging relationships are expected to continue to the year ending December 31, 2019.

The fair values of the interest rate swaps used as the hedging instruments are stated in Note 12. Derivative Assets and Derivative Liabilities.

Schedule of changes in the amounts recognized in other comprehensive income

	Millions of Yen		Thousands of U.S. Dollars
	Year ended December 31, 2013	Year ended December 31, 2014	Year ended December 31, 2014
January 1	¥(203)	¥(321)	$(2,676)
Changes for the period	(262)	1,235	10,295
Reclassification to net income	144	174	1,450
Reclassification to initial carrying amount of non-financial assets or non-financial liabilities	—	(1,610)	(13,421)
December 31	(321)	(522)	(4,352)

(Note) The amounts reclassified to net income are included in "Revenue" in the Consolidated Statements of Income.

34. Contingent Liabilities and Commitments

(1) Commitment Line Lending Contracts and Guarantee Obligations

Certain consolidated subsidiaries are engaged in consumer lending business through cash advances and credit card loans, which are related to the credit cards.

Since these contracts expire without the actual loan being drawn, in addition to the Group Companies having discretion to increase or decrease the limits on the loan amounts, the unused balance of these loans would not necessarily have a material impact on the Group Companies' cash flows.

Certain consolidated subsidiaries are engaged in the credit guarantee business providing general customers with guarantees on liabilities corresponding to loans which such customers have received from business partners of other subsidiaries.

The balances of the unused lending commitment lines and guarantee obligations given in the credit guarantee business stated above are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	December 31, 2013	December 31, 2014	December 31, 2014
Lending commitment lines	¥2,034,622	¥2,312,745	$19,279,301
Financial guarantee contracts	17,523	14,806	123,425
Total	2,052,145	2,327,551	19,402,726

(2) Commitment Line Borrowing Contracts

The Company and certain consolidated subsidiaries have entered into commitment line borrowing contracts with multiple financial institutions and the balances of the unused portions of such commitment lines available are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	December 31, 2013	December 31, 2014	December 31, 2014
Total commitment line borrowings	¥111,798	¥137,639	$1,147,374
Amounts borrowed	1,607	30	250
Unused commitment lines	110,191	137,609	1,147,124

(3) Commitments (Contracts)

As of December 31, 2013 and 2014, there were no significant capital expenditures (commitments) for which contracts had been entered into and which were unrecognized in the consolidated financial statements.

35. Share-based Payments

Employee expenses relating to stock options recognized by the Group Companies during the years ended December 31, 2013 and 2014 were ¥1,679 million and ¥1,942 million ($16,189 thousand), respectively. The Group Companies have elected to apply the exemption under IFRS 1 and have consequently accounted for the 2008 and 2009 stock options, 2012 and 2013 stock options 1) to 5) and 2014 stock options 1) to 12) granted by the Company, and 2012 stock option 1) to 6) and 2013 stock option granted by Rakuten Kobo Inc. in accordance with IFRS 2.

The Company has granted equity-settled stock options to its executives and employees, its subsidiaries, and associates. Rakuten Kobo Inc. has granted stock options with a cash alternative option to executives and employees of Rakuten Kobo Inc. and its subsidiaries. Conditions for vesting of the stock options require that those who received stock options continue to be employed by the Company, its subsidiaries or associates from the grant date to the vesting date.

On July 1, 2012, the Company implemented a 100-for-1 share split. The number of stock options issued for each year has been adjusted for the share split. The following is a summary of the Company's stock options.

Name	Grant date	Vesting date	Exercise price (Yen)	Balance of outstanding options (Note)	Exercise period
2004 stock option	September 7, 2004	March 30, 2008	¥755	—	From March 31, 2008 to March 29, 2014
2005 stock option 1)	December 15, 2005	March 30, 2009	913	1,109,900	From March 31, 2009 to March 29, 2015
2005 stock option 2)	February 13, 2006	March 30, 2009	1,038	200,000	From March 31, 2009 to March 29, 2015
2006 stock option 1)	April 20, 2006	March 30, 2010	1,010	1,244,100	From March 31, 2010 to March 29, 2016
2006 stock option 2)	December 14, 2006	March 30, 2010	559	277,600	From March 31, 2010 to March 29, 2016
2008 stock option	January 19, 2009	March 27, 2012	563	1,028,300	From March 28, 2012 to March 26, 2018
2009 stock option	February 12, 2010	March 27, 2013	707	508,400	From March 28, 2013 to March 26, 2019
2012 stock option 1) A	April 20, 2012	April 19, 2014	0.01	6,800	From April 20, 2014 to April 20, 2022
2012 stock option 1) B	April 20, 2012	April 19, 2015	0.01	41,200	From April 20, 2015 to April 20, 2022
2012 stock option 1) C	April 20, 2012	April 19, 2016	0.01	41,600	From April 20, 2016 to April 20, 2022
2012 stock option 2)	July 1, 2012	March 29, 2016	0.01	266,200	From March 30, 2016 to March 28, 2022
2012 stock option 3)	August 1, 2012	March 29, 2016	0.01	93,300	From March 30, 2016 to March 28, 2022
2012 stock option 4)	August 20, 2012	March 29, 2016	0.01	400	From March 30, 2016 to March 28, 2022
2012 stock option 5) A	November 21, 2012	November 20, 2014	0.01	—	From November 21, 2014 to November 21, 2022
2012 stock option 5) B	November 21, 2012	November 20, 2015	0.01	—	From November 21, 2015 to November 21, 2022
2012 stock option 5) C	November 21, 2012	November 20, 2016	0.01	—	From November 21, 2016 to November 21, 2022
2013 stock option 1)	February 1, 2013	March 29, 2016	0.01	1,205,300	From March 30, 2016 to March 28, 2022
2013 stock option 2)	March 1, 2013	March 29, 2016	0.01	276,100	From March 30, 2016 to March 28, 2022
2013 stock option 3) A	March 1, 2013	March 29, 2016	0.01	444,500	From March 30, 2016 to March 28, 2022
2013 stock option 3) B	March 1, 2013	March 29, 2016	0.01	150,000	From March 30, 2016 to March 28, 2022
2013 stock option 4)	July 1, 2013	March 28, 2017	0.01	924,400	From March 29, 2017 to March 27, 2023
2013 stock option 5)	December 1, 2013	March 28, 2017	0.01	12,000	From March 29, 2017 to March 27, 2023
2014 stock option 1)	February 1, 2014	March 28, 2017	0.01	753,500	From March 29, 2017 to March 27, 2023
2014 stock option 2)	March 1, 2014	March 28, 2017	0.01	354,200	From March 29, 2017 to March 27, 2023
2014 stock option 3)	March 19, 2014	March 28, 2017	0.01	398,000	From March 29, 2017 to March 27, 2023
2014 stock option 4)	May 1, 2014	March 28, 2018	0.01	281,000	From March 29, 2018 to March 27, 2024

Name	Grant date	Vesting date	Exercise price (Yen)	Balance of outstanding options (Note)	Exercise period
2014 stock option 5)	July 1, 2014	March 28, 2018	0.01	964,700	From March 29, 2018 to March 27, 2024
2014 stock option 6)	September 1, 2014	March 28, 2018	0.01	56,000	From March 29, 2018 to March 27, 2024
2014 stock option 7)	September 1, 2014	March 28, 2018	0.01	457,900	From March 29, 2018 to March 27, 2024
2014 stock option 8)	October 1, 2014	March 28, 2018	0.01	135,500	From March 29, 2018 to March 27, 2024
2014 stock option 9)	October 1, 2014	March 28, 2018	0.01	8,900	From March 29, 2018 to March 27, 2024
2014 stock option 10)	November 1, 2014	March 28, 2018	0.01	799,300	From March 29, 2018 to March 27, 2024
2014 stock option 11)	November 1, 2014	March 28, 2018	0.01	663,800	From March 29, 2018 to March 27, 2024
2014 stock option 12)	November 1, 2014	March 28, 2018	0.01	248,700	From March 29, 2018 to March 27, 2024

(Note) The balance of outstanding options has been converted into the number of shares.

The following is a summary of Rakuten Kobo Inc.'s stock options.

Name	Grant date	Vesting date	Exercise price (Canadian dollars)	Balance of outstanding options (Note)	Exercise period
Rakuten Kobo Inc. 2012 stock option 1) A	January 11, 2012	January 10, 2014	$1.00	150,000	From January 11, 2014 to January 11, 2018
Rakuten Kobo Inc. 2012 stock option 1) B	January 11, 2012	January 10, 2015	1.00	739,458	From January 11, 2015 to January 11, 2018
Rakuten Kobo Inc. 2012 stock option 1) C	January 11, 2012	January 10, 2016	1.00	739,458	From January 11, 2016 to January 11, 2018
Rakuten Kobo Inc. 2012 stock option 2) A	February 27, 2012	February 26, 2014	1.00	—	From February 27, 2014 to February 27, 2018
Rakuten Kobo Inc. 2012 stock option 2) B	February 27, 2012	February 26, 2015	1.00	158,334	From February 27, 2015 to February 27, 2018
Rakuten Kobo Inc. 2012 stock option 2) C	February 27, 2012	February 26, 2016	1.00	158,333	From February 27, 2016 to February 27, 2018
Rakuten Kobo Inc. 2012 stock option 3) A	April 9, 2012	April 8, 2014	1.00	—	From April 9, 2014 to April 9, 2018
Rakuten Kobo Inc. 2012 stock option 3) B	April 9, 2012	April 8, 2015	1.00	121,666	From April 9, 2015 to April 9, 2018
Rakuten Kobo Inc. 2012 stock option 3) C	April 9, 2012	April 8, 2016	1.00	121,667	From April 9, 2016 to April 9, 2018
Rakuten Kobo Inc. 2012 stock option 4) A	April 23, 2012	April 22, 2014	1.00	—	From April 23, 2014 to April 23, 2018
Rakuten Kobo Inc. 2012 stock option 4) B	April 23, 2012	April 22, 2015	1.00	—	From April 23, 2015 to April 23, 2018
Rakuten Kobo Inc. 2012 stock option 4) C	April 23, 2012	April 22, 2016	1.00	—	From April 23, 2016 to April 23, 2018
Rakuten Kobo Inc. 2012 stock option 5) A	July 9, 2012	July 8, 2014	1.00	—	From July 9, 2014 to July 9, 2018

Name	Grant date	Vesting date	Exercise price (Canadian dollars)	Balance of outstanding options (Note)	Exercise period
Rakuten Kobo Inc. 2012 stock option 5) B	July 9, 2012	July 8, 2015	1.00	—	From July 9, 2015 to July 9, 2018
Rakuten Kobo Inc. 2012 stock option 5) C	July 9, 2012	July 8, 2016	1.00	—	From July 9, 2016 to July 9, 2018
Rakuten Kobo Inc. 2012 stock option 6) A	October 5, 2012	December 30, 2013	1.00	400,000	From December 31, 2013 to October 5, 2018
Rakuten Kobo Inc. 2012 stock option 6) B	October 5, 2012	December 30, 2014	1.00	400,000	From December 31, 2014 to October 5, 2018
Rakuten Kobo Inc. 2013 stock option	January 11, 2013	January 11, 2013	0.01	—	From January 11, 2013 to January 11, 2018

(Note) The balance of outstanding options has been converted into the number of shares.

The number of options and the weighted average exercise price related to stock options granted by the Company are as follows:

	Year ended December 31, 2013		Year ended December 31, 2014	
	Number of options (Note)	Weighted average exercise price (Yen)	Number of options (Note)	Weighted average exercise price (Yen)
Balance at the beginning of the year	13,684,400	¥687	13,272,000	¥516
Granted	3,567,300	0.01	5,320,000	0.01
Forfeited	739,200	530	752,100	55
Exercised	3,236,500	665	4,740,300	659
Expired	4,000	275	148,000	755
Outstanding balance at the end of the year	13,272,000	516	12,951,600	276
Exercisable amount at the end of the year	8,343,300	821	4,375,100	816
Weighted average remaining contract years		4.53 years		6.15 years

(Note) The number of options has been converted into the number of shares.

The number of options and the weighted average exercise price related to stock options granted by Rakuten Kobo Inc. are as follows:

	Year ended December 31, 2013		Year ended December 31, 2014	
	Number of options (Note)	Weighted average exercise price (Canadian dollars)	Number of options (Note)	Weighted average exercise price (Canadian dollars)
Balance at the beginning of the year	20,303,573	$1.00	21,427,255	$0.90
Granted	2,188,682	0.01	—	—
Forfeited	1,065,000	1.00	17,518,881	0.88
Exercised	—	—	919,458	1.00
Expired	—	—	—	—
Outstanding balance at the end of the year	21,427,255	0.90	2,988,916	1.00
Exercisable amount at end of the year	2,588,682	0.16	950,000	1.00
Weighted average remaining contract years		4.16 years		3.31 years

(Note) The number of options has been converted into the number of shares.

The weighted average stock prices of the Company as of the exercise date were ¥1,231 and ¥1,417 for the years ended December 31, 2013 and 2014, respectively.

The expiration dates and the exercise prices of the outstanding options for stock options granted by the Company are as follows:

	Exercise price (Yen)	Number of options (Note)	
		December 31, 2013	December 31, 2014
2014	¥755	1,154,000	—
2015	913~1,038	3,038,800	1,309,900
2016	559~1,010	2,096,500	1,521,700
2018	563	1,368,600	1,028,300
2019	707	685,400	508,400
2022	0.01	3,871,200	2,525,400
2023	0.01	1,057,500	2,442,100
2024	0.01	—	3,615,800
Balance at end of the period	—	13,272,000	12,951,600

(Note) The number of options has been converted into the number of shares.

The expiration dates and the exercise prices of the outstanding options related to stock options granted by Rakuten Kobo Inc. are as follows:

	Exercise price (Canadian dollars)	Number of options (Note)	
		December 31, 2013	December 31, 2014
2018	$0.01~1.00	21,427,255	2,988,916
Balance at end of the period	—	21,427,255	2,988,916

(Note) The number of options has been converted into the number of shares.

The Company granted equity-settled stock options to its executives and employees, its subsidiaries, and associates during the year ended December 31, 2014. The fair value of the options granted has been calculated using the Black-Scholes model adjusted for dividends. The fair value and assumptions used in the calculation are as follows.

Expected volatility of the Company has been calculated as an annual rate based on the historical period of stock prices corresponding to the expected remaining period and weekly data (weekly closing price versus volatility of the previous week), assuming 52 weeks in a year.

	December 31, 2014		
	The Company 2014 stock option 1)	The Company 2014 stock option 2)	The Company 2014 stock option 3)
Weighted average stock prices (Yen)	¥1,684	¥1,459	¥1,316
Exercise price (Yen)	¥0.01	¥0.01	¥0.01
Expected volatility (%)	34.5	34.5	35.7
Remaining term (Years)	3.16	3.08	3.03
Expected dividend (Yen)	¥3.00	¥3.00	¥3.00
Risk-free rate (%)	0.11	0.10	0.10
Fair value per share (Yen)	¥1,675	¥1,450	¥1,307

	December 31, 2014		
	The Company 2014 stock option 4)	The Company 2014 stock option 5)	The Company 2014 stock option 6), 7)
Weighted average stock prices (Yen)	¥1,352	¥1,346	¥1,334
Exercise price (Yen)	¥0.01	¥0.01	¥0.01
Expected volatility (%)	34.3	34.9	35.5
Remaining term (Years)	3.91	3.75	3.58
Expected dividend (Yen)	¥4.00	¥4.00	¥4.00
Risk-free rate (%)	0.14	0.10	0.10
Fair value per share (Yen)	¥1,336	¥1,331	¥1,320

	December 31, 2014	
	The Company 2014 stock option 8), 9)	The Company 2014 stock option 10), 11), 12)
Weighted average stock prices (Yen)	¥1,215	¥1,244
Exercise price (Yen)	¥0.01	¥0.01
Expected volatility (%)	35.2	35.9
Remaining term (Years)	3.50	3.41
Expected dividend (Yen)	¥4.00	¥4.00
Risk-free rate (%)	0.10	0.05
Fair value per share (Yen)	¥1,201	¥1,230

36. Dividends

	Year ended December 31, 2013		Year ended December 31, 2014	
	Dividends per share (Yen)	Amount of dividends (Millions of Yen)	Dividends per share (Yen) [U.S. Dollars]	Amount of dividends (Millions of Yen) [Thousands of U.S. Dollars]
Dividends paid				
Dividends by resolution at the Board of Directors in the previous year	¥3	¥3,944	¥4 [$0.03]	¥5,271 [$43,940]
Dividends paid during the current year	—	—	—	—
Total dividends paid applicable to the year	3	3,944	4 [0.03]	5,271 [43,940]

The Company continues to make stable dividend payments under the principle of returning profits with the maximization of corporate value in mind, while maintaining a sound financial position and enhancing retained earnings to prepare for proactive business development.

Furthermore, the Board of Directors of the Company determines the payment of dividends. In principle, the Company distributes dividends once a year at year-end. For dividend distributions pursuant to Article 459, Paragraph 1 of the Companies Act, the Company makes its determination taking into consideration the business environment and other factors.

(Note) Cash dividends paid with record date during the year ended December 31, 2014 are as follows:

Date of resolution	Total dividends (Millions of Yen) [Thousands of U.S. Dollars]	Dividends per share (Yen) [U.S. Dollars]
Resolution at the Board of Directors on February 12, 2015	¥5,952 [$49,617]	¥4.5 [$0.04]

37. Classification of Financial Instruments

The Group Companies' financial instruments are classified as follows:

As of December 31, 2013

(Financial Assets)

(Millions of Yen)

	Financial assets measured at fair value		Financial assets measured at amortized cost	Total
	Financial assets measured at FVTPL	Financial assets measured at FVTOCI		
Cash and cash equivalents	¥—	¥—	¥384,008	¥384,008
Accounts receivable — trade	—	—	73,443	73,443
Financial assets for securities business	754	—	1,218,233	1,218,987
Loans for credit card business	—	—	544,314	544,314
Investment securities for banking business	34,954	0	162,943	197,897
Loans for banking business	—	—	239,818	239,818
Investment securities for insurance business	—	—	10,233	10,233
Derivative assets	12,588	—	—	12,588
Investment securities	697	24,693	8,635	34,025
Other financial assets	2	—	159,056	159,058
Total	48,995	24,693	2,800,683	2,874,371

(Financial Liabilities)

(Millions of Yen)

	Financial liabilities measured at fair value		Financial liabilities measured at amortized cost	Total
	Financial liabilities subject to mandatory measurement at fair value	Financial liabilities designated as being measured at FVTPL		
Accounts payable — trade	¥—	¥—	¥115,357	¥115,357
Deposits for banking business	—	79,218	880,742	959,960
Financial liabilities for securities business	—	—	1,077,971	1,077,971
Derivative liabilities	8,023	—	—	8,023
Bonds and borrowings	—	—	389,683	389,683
Other financial liabilities	—	—	226,771	226,771
Total	8,023	79,218	2,690,524	2,777,765

As of December 31, 2014

(Financial Assets)

(Millions of Yen)

	Financial assets measured at fair value		Financial assets measured at amortized cost	Total
	Financial assets measured at FVTPL	Financial assets measured at FVTOCI		
Cash and cash equivalents	¥—	¥—	¥428,635	¥428,635
Accounts receivable — trade	—	—	88,871	88,871
Financial assets for securities business	680	—	1,110,208	1,110,888
Loans for credit card business	—	—	692,886	692,886
Investment securities for banking business	17,888	1	204,408	222,297
Loans for banking business	—	—	321,877	321,877
Investment securities for insurance business	—	—	12,205	12,205
Derivative assets	13,927	—	—	13,927
Investment securities	2,378	37,597	10,531	50,506
Other financial assets	1	—	144,282	144,283
Total	34,874	37,598	3,013,903	3,086,375

(Thousands of U.S. Dollars)

	Financial assets measured at fair value		Financial assets measured at amortized cost	Total
	Financial assets measured at FVTPL	Financial assets measured at FVTOCI		
Cash and cash equivalents	$—	$—	$3,573,149	$3,573,149
Accounts receivable — trade	—	—	740,839	740,839
Financial assets for securities business	5,669	—	9,254,818	9,260,487
Loans for credit card business	—	—	5,775,975	5,775,975
Investment securities for banking business	149,117	8	1,703,968	1,853,093
Loans for banking business	—	—	2,683,203	2,683,203
Investment securities for insurance business	—	—	101,742	101,742
Derivative assets	116,097	—	—	116,097
Investment securities	19,823	313,413	87,788	421,024
Other financial assets	8	—	1,202,751	1,202,759
Total	290,714	313,421	25,124,233	25,728,368

(Financial Liabilities)

(Millions of Yen)

	Financial liabilities measured at fair value		Financial liabilities measured at amortized cost	Total
	Financial liabilities subject to mandatory measurement at fair value	Financial liabilities designated as being measured at FVTPL		
Accounts payable — trade	¥—	¥—	¥137,042	¥137,042
Deposits for banking business	—	71,220	1,065,975	1,137,195
Financial liabilities for securities business	—	—	995,141	995,141
Derivative liabilities	11,769	—	—	11,769
Bonds and borrowings	—	—	589,927	589,927
Other financial liabilities	—	—	242,616	242,616
Total	11,769	71,220	3,030,701	3,113,690

(Thousands of U.S. Dollars)

	Financial liabilities measured at fair value		Financial liabilities measured at amortized cost	Total
	Financial liabilities subject to mandatory measurement at fair value	Financial liabilities designated as being measured at FVTPL		
Accounts payable — trade	$—	$—	$1,142,397	$1,142,397
Deposits for banking business	—	593,698	8,886,087	9,479,785
Financial liabilities for securities business	—	—	8,295,607	8,295,607
Derivative liabilities	98,108	—	—	98,108
Bonds and borrowings	—	—	4,917,698	4,917,698
Other financial liabilities	—	—	2,022,474	2,022,474
Total	98,108	593,698	25,264,263	25,956,069

(1) Investments in Equity Instruments Designated as Measured at FVTOCI

Since shares held by the Group Companies are investments held over the long term for the purpose of strengthening business relationships or in anticipation of synergistic effects in business operations rather than only for trading purposes, most of such shares are designated as financial assets measured at FVTOCI.

Equity instruments designated as measured at FVTOCI as of December 31, 2013 mainly comprise shares in Pinterest, Inc. and F@N Communications, Inc., with fair values of ¥8,757 million and ¥7,235 million, respectively. Equity instruments designated as measured at FVTOCI as of December 31, 2014 mainly comprise shares in Pinterest, Inc., with a fair value of ¥25,538 million.

During the year ended December 31, 2013, shares of investments from which synergistic effects could no longer be anticipated were sold. The fair value of such investments at the time of sale was ¥3,388 million, and a gain on sales of ¥2,880 million was recognized. Similarly, during the year ended December 31, 2014, shares of investments from which synergistic effects could no longer be anticipated were sold. The fair value of such investments at the time of sales was ¥7,502 million ($62,538 thousand), and a gain on sales of ¥7,341 million ($61,195 thousand) was recognized.

Additionally, during the year ended December 31, 2013, dividend income recognized from shares designated as financial assets measured at FVTOCI was ¥112 million, all of which this was for dividends relating to shares held as of December 31, 2013. Furthermore, during the year ended December 31, 2014, dividend income recognized from shares designated as financial assets measured at FVTOCI was ¥115 million ($959 thousand), of which, the amount relating to shares held as of December 31, 2014 was ¥77 million ($642 thousand).

During the year ended December 31, 2013, the Group Companies reclassified ¥1,793 million of cumulative gains in equity, related to shares designated as financial assets measured at FVTOCI, to retained earnings on the sale of such shares, etc. During the year ended December 31, 2014, the Group Companies reclassified ¥1,179 million ($9,828 thousand) in cumulative losses in equity, related to shares designated as financial assets measured at FVTOCI, to retained earnings on the sale of such shares, etc. The cumulative losses in equity that were reclassified as retained earnings during the year ended December 31, 2014 include an amount equivalent to taxes on a gain on sales generated from a transfer of shares between consolidated group companies.

(2) Financial Liabilities Designated as Measured at FVTPL

The Group Companies classify certain time deposits with special clauses included in “Deposits for banking business” as financial liabilities measured at FVTPL.

Fair values of such deposits of the Group Companies are measured at present value calculated by discounting each portion of future cash flows, classified by period, for the corresponding remaining maturity using the applicable interest rate considering credit risk.

(Millions of Yen)

	December 31, 2013			December 31, 2014		
	Carrying amount (Fair value)	Contractual obligations at maturity	Difference	Carrying amount (Fair value)	Contractual obligations at maturity	Difference
Deposits for banking business	¥79,218	¥77,584	¥1,634	¥71,220	¥68,999	¥2,221
Total	79,218	77,584	1,634	71,220	68,999	2,221

(Thousands of U.S. Dollars)

	December 31, 2014		
	Carrying amount (Fair value)	Contractual obligations at maturity	Difference
Deposits for banking business	$593,698	$575,183	$18,515
Total	593,698	575,183	18,515

The amount of payment demanded at maturity has been calculated assuming that the liabilities will be repaid on the earliest maturity date on which the repayment can be demanded.

38. Gains and Losses Generated from Financial Instruments

The analysis of the gains and losses generated from financial instruments held by the Group Companies is as follows:

For the year ended December 31, 2013

(1) Breakdown of Net Gains and Losses Generated from Financial Assets by Type of Financial Instruments

(Millions of Yen)

	Financial assets measured at fair value		Financial assets measured at amortized cost	Total
	Financial assets measured at FVTPL	Financial assets measured at FVTOCI		
Revenue	¥17,112	¥54	¥(45)	¥17,121
Operating expenses	—	—	12,929	12,929
Financial income	—	57	—	57
Other comprehensive income	(180)	9,500	—	9,320

Net gains generated from financial assets measured at fair value include interest income, dividend income and commissions received relating to such assets.

(2) Breakdown of Net Gains and Losses Generated from Financial Liabilities by Type of Financial Instruments

(Millions of Yen)

	Financial liabilities measured at fair value		Financial liabilities measured at amortized cost	Total
	Financial liabilities subject to mandatory measurement at fair value	Financial liabilities designated as being measured at fair value		
Revenue	¥—	¥(183)	¥—	¥(183)
Operating expenses	—	(620)	—	(620)

(3) Total Interest Income and Interest Expenses (Calculated Using the Effective Interest Method) Associated With Financial Assets Measured at Amortized Cost or Financial Liabilities Measured at Amortized Cost

(Millions of Yen)

	Total interest income from financial assets measured at amortized cost	Total interest expenses from financial liabilities measured at amortized cost
Revenue	¥66,204	¥—
Operating expenses	—	3,922
Financial income	140	—
Financial expenses	—	1,676
Total	66,344	5,598

(4) Commission Revenue and Commission Fees Expense Generated from Financial Assets Measured at Amortized Cost, Financial Liabilities Measured at Amortized Cost, and Trust and Other Trustee Operations

(Millions of Yen)

	Commission revenue from financial assets measured at amortized cost	Commission fees expenses from financial assets measured at amortized cost	Commission fees expenses from financial liabilities measured at amortized cost	Commission revenue from trust and other trustee operations	Commission fees expenses from trust and other trustee operations
Financial expenses	¥—	¥—	¥286	¥—	¥—

(5) Impairment Loss (or Reversal of Impairment Loss) by Type of Financial Asset

(Millions of Yen)

	Impairment loss (or reversal of impairment loss)
Accounts receivable — trade	¥908
Financial assets for securities business	76
Loans for credit card business	11,776
Investment securities for banking business	(192)
Loans for banking business	134
Other financial assets	226
Total	12,928

(6) Analysis of Gains and Losses Arising from Derecognition of Financial Assets Measured at Amortized Cost and Reason for Derecognition

(Millions of Yen)

	Gains arising from derecognition of financial assets measured at amortized cost	Losses arising from derecognition of financial assets measured at amortized cost
Investment securities for banking business	¥9	¥1

Reason for Derecognition

Rakuten Life Insurance Co., Ltd. derecognized certain investment securities for the insurance business due to the sale of such assets to adjust its investment portfolios to reflect the modified forecast duration.

For the year ended December 31, 2014

(1) Breakdown of Net Gains and Losses on Financial Assets by Type of Financial Instruments

(Millions of Yen)

	Financial assets measured at fair value		Financial assets measured at amortized cost	Total
	Financial assets measured at FVTPL	Financial assets measured at FVTOCI		
Revenue	¥13,214	¥70	¥311	¥13,595
Operating expenses	—	—	16,964	16,964
Financial income	—	46	—	46
Other comprehensive income	2,286	19,200	—	21,486

(Thousands of U.S. Dollars)

	Financial assets measured at fair value		Financial assets measured at amortized cost	Total
	Financial assets measured at FVTPL	Financial assets measured at FVTOCI		
Revenue	$110,153	$584	$2,592	$113,329
Operating expenses	—	—	141,414	141,414
Financial income	—	383	—	383
Other comprehensive income	19,057	160,053	—	179,110

Net gains on financial assets measured at fair value include interest income, dividend income and commissions received relating to such assets.

(2) Breakdown of Net Gains and Losses on Financial Liabilities by Type of Financial Instruments

(Millions of Yen)

	Financial liabilities measured at fair value		Financial liabilities measured at amortized cost	Total
	Financial liabilities which must be measured at fair value	Financial liabilities designated as measured at fair value		
Revenue	¥—	¥(588)	¥—	¥(588)
Operating expenses	—	(556)	—	(556)

(Thousands of U.S. Dollars)

	Financial liabilities measured at fair value		Financial liabilities measured at amortized cost	Total
	Financial liabilities which must be measured at fair value	Financial liabilities designated as measured at fair value		
Revenue	$—	(4,902)	$—	$(4,902)
Operating expenses	—	(4,635)	—	(4,635)

(3) Total Interest Income and Interest Expenses (Calculated Using the Effective Interest Method) Associated With Financial Assets Measured at Amortized Cost or Financial Liabilities Measured at Amortized Cost

(Millions of Yen)

	Total interest income associated with financial assets measured at amortized cost	Total interest expenses associated with financial liabilities measured at amortized cost
Revenue	¥84,447	¥—
Operating expenses	—	4,613
Financial income	184	—
Financial expenses	—	2,758
Total	84,631	7,371

(Thousands of U.S. Dollars)

	Total interest income associated with financial assets measured at amortized cost	Total interest expenses associated with financial liabilities measured at amortized cost
Revenue	$703,959	$—
Operating expenses	—	38,454
Financial income	1,534	—
Financial expenses	—	22,991
Total	705,493	61,445

(4) Commission Revenue and Commission Expense relating to Financial Assets Measured at Amortized Cost, Financial Liabilities Measured at Amortized Cost, and Trust and Other Trustee Operations

(Millions of Yen)

	Commission revenue from financial assets measured at amortized cost	Commission expense relating to financial assets measured at amortized cost	Commission expense relating to financial liabilities measured at amortized cost	Commission revenue from trust and other trustee operations	Commission expense relating to trust and other trustee operations
Financial expenses	¥—	¥—	¥228	¥—	¥—

(Thousands of U.S. Dollars)

	Commission revenue from financial assets measured at amortized cost	Commission expense relating to financial assets measured at amortized cost	Commission expense relating to financial liabilities measured at amortized cost	Commission revenue from trust and other trustee operations	Commission expense relating to trust and other trustee operations
Financial expenses	$—	$—	$1,901	$—	$—

(5) Impairment Loss (or Reversal of Impairment Loss) by Type of Financial Asset

	Impairment loss (or reversal of impairment loss)	
	Millions of Yen	Thousands of U.S. Dollars
Accounts receivable — trade	¥585	$4,877
Financial assets for securities business	(77)	(642)
Loans for credit card business	16,211	135,137
Investment securities for banking business	37	308
Loans for banking business	145	1,209
Other financial assets	63	525
Total	16,964	141,414

(6) Analysis of Gains and Losses on Derecognition of Financial Assets Measured at Amortized Cost and Reason for Derecognition

(Millions of Yen)

	Gains on derecognition of financial assets measured at amortized cost	Losses on derecognition of financial assets measured at amortized cost
Investment securities for insurance business	¥54	¥—

(Thousands of U.S. Dollars)

	Gains on derecognition of financial assets measured at amortized cost	Losses on derecognition of financial assets measured at amortized cost
Investment securities for insurance business	$450	$—

Reason for Derecognition

Rakuten Life Insurance Co., Ltd. derecognized certain investment securities for the insurance business due to the sale of such assets to adjust its investment portfolios to reflect the modified forecast duration.

39. Fair Value of Financial Instruments

(1) Fair Value and Carrying Amount of Financial Instruments

The following table provides a comparison between carrying amounts and fair values of the financial instruments held by the Group Companies.

(Millions of Yen)

	For the year ended December 31, 2013		For the year ended December 31, 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
(Financial assets)				
Financial assets for securities business	¥1,218,987	¥1,218,987	¥1,110,888	¥1,110,888
Loans for credit card business	544,314	554,390	692,886	701,051
Investment securities for banking business	197,897	198,238	222,297	222,606
Loans for banking business	239,818	240,896	321,877	323,275
Investment securities for insurance business	10,233	10,380	12,205	12,807
Derivative assets	12,588	12,588	13,927	13,927
Investment securities	34,025	34,104	50,506	50,762
Total	2,257,862	2,269,583	2,424,586	2,435,316
(Financial liabilities)				
Deposits for banking business	959,960	960,267	1,137,195	1,137,558
Financial liabilities for securities business	1,077,971	1,077,971	995,141	995,141
Derivative liabilities	8,023	8,023	11,769	11,769
Bonds and borrowings	389,683	388,781	589,927	590,105
Total	2,435,637	2,435,042	2,734,032	2,734,573

	(Thousands of U.S. Dollars)	
	For the year ended December 31, 2014	
	Carrying amount	Fair value
(Financial assets)		
Financial assets for securities business	$9,260,487	$9,260,487
Loans for credit card business	5,775,975	5,844,040
Investment securities for banking business	1,853,093	1,855,668
Loans for banking business	2,683,203	2,694,857
Investment securities for insurance business	101,742	106,760
Derivative assets	116,097	116,097
Investment securities	421,024	423,158
Total	20,211,621	20,301,067
(Financial liabilities)		
Deposits for banking business	9,479,785	9,482,811
Financial liabilities for securities business	8,295,607	8,295,607
Derivative liabilities	98,108	98,108
Bonds and borrowings	4,917,698	4,919,181
Total	22,791,198	22,795,707

Measurement of Fair Values

- Financial assets for securities business
  As financial assets for securities business are subject to short-term settlement, their fair values approximate their carrying amounts.
- Loans for credit card business and loans for banking business
  The fair value of loans for credit card business and loans for banking business is measured at present value calculated by discounting each portion of future cash flows classified by period, for the corresponding remaining maturity using the applicable interest rate considering credit risk.
- Investment securities, investment securities for banking business and investment securities for insurance business
  Of these investment securities, fair value of listed shares is measured at the year-end closing market price, while fair value of unlisted shares is measured by using an appropriate valuation technique, such as a method of comparison with similar sectors. The fair value of bonds is measured by reasonable valuation methods based on available information, including reference trading statistics and brokers' quotes.
- Derivative assets and liabilities
  Within derivative assets and liabilities, forward exchange contracts are measured at fair value at the end of year based on forward exchange rates. Fair value of interest rate swaps is measured at the present value calculated by discounting future cash flows for the remaining

maturity using the rate of the interest rate swap at the end of year. Since counterparties of interest rate swap contracts are limited to financial institutions with superior credit ratings, consideration of credit risk is not incorporated in the calculation of fair value as it is minimal.

- Deposits for banking business
  For demand deposits of the deposits for banking business, amounts payable on request at the year-end closing date (carrying amount) are considered to represent fair value. Fair value of time deposits is measured at the present value calculated by discounting each portion of future cash flows classified by period, for the corresponding remaining maturity, using the applicable interest rate considering credit risk. For time deposits with short remaining maturities (one year or less), the carrying amount is deemed as fair value as such fair value approximates the carrying amount.
- Financial liabilities for securities business
  As financial liabilities for securities business are subject to short-term settlement, their fair values approximate their carrying amounts.
- Bonds and borrowings
  Among bonds and borrowings, fair value of those with longer remaining maturities is measured at the present value calculated by discounting each portion of future cash flows classified by period, for the corresponding remaining maturity, using the applicable interest rate considering credit risk.

As other financial assets and liabilities are subject to short-term settlement, their fair values approximate their carrying amounts.

(2) Fair Value Hierarchy

The following table shows the fair value measurement classified into one of three levels from Level 1 to Level 3 based on *the fair value hierarchy.*

[Definition of Each Level of Hierarchy]

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Fair value calculated by using inputs that are directly or indirectly observable for assets or liabilities, other than quoted prices included within Level 1

Level 3: Fair value calculated by using the valuation technique including inputs that are unobservable

The Group Companies recognize transfers between each level in hierarchy at the year-end closing date.

Classification by level of assets and liabilities measured at fair value in the Consolidated Statements of Financial Position

For the year ended December 31, 2013

(Millions of Yen)

	Level 1	Level 2	Level 3	Total
Financial assets for securities business	¥—	¥754	¥—	¥754
Investment securities for banking business	—	—	34,954	34,954
Investment securities	11,506	—	13,883	25,389
Deposits for banking business	—	79,218	—	79,218
Derivative assets/liabilities	—	4,565	—	4,565

There were no significant transfers between Level 1 and Level 2 during the year ended December 31, 2013.

For the year ended December 31, 2014

(Millions of Yen)

	Level 1	Level 2	Level 3	Total
Financial assets for securities business	¥—	¥680	¥—	¥680
Investment securities for banking business	—	—	17,889	17,889
Investment securities	6,568	—	33,407	39,975
Deposits for banking business	—	71,220	—	71,220
Derivative assets/liabilities	—	2,158	—	2,158

(Thousands of U.S. Dollars)

	Level 1	Level 2	Level 3	Total
Financial assets for securities business	$—	$5,669	$—	$5,669
Investment securities for banking business	—	—	149,124	149,124
Investment securities	54,751	—	278,485	333,236
Deposits for banking business	—	593,698	—	593,698
Derivative assets/liabilities	—	17,989	—	17,989

There were no significant transfers between Level 1 and Level 2 during the year ended December 31, 2014.

Classification by level of assets and liabilities not measured at fair value in the consolidated statements of financial position

For the year ended December 31, 2013

(Millions of Yen)

	Level 1	Level 2	Level 3	Total
Financial assets for securities business	¥—	¥1,218,155	¥78	¥1,218,233
Loans for credit card business	—	—	554,390	554,390
Investment securities for banking business	41,405	—	121,879	163,284
Loans for banking business	—	—	240,896	240,896
Investment securities for insurance business	10,380	—	—	10,380
Investment securities	6,899	1,800	16	8,715
Deposits for banking business	—	881,049	—	881,049
Financial liabilities for securities business	—	1,077,971	—	1,077,971
Bonds and borrowings	—	388,781	—	388,781

For the year ended December 31, 2014

(Millions of Yen)

	Level 1	Level 2	Level 3	Total
Financial assets for securities business	¥—	¥1,110,149	¥59	¥1,110,208
Loans for credit card business	—	—	701,051	701,051
Investment securities for banking business	97,887	—	106,830	204,717
Loans for banking business	—	—	323,275	323,275
Investment securities for insurance business	11,362	—	1,445	12,807
Investment securities	7,083	800	2,904	10,787
Deposits for banking business	—	1,066,338	—	1,066,338
Financial liabilities for securities business	—	995,141	—	995,141
Bonds and borrowings	—	590,105	—	590,105

(Thousands of U.S. Dollars)

	Level 1	Level 2	Level 3	Total
Financial assets for securities business	$—	$9,254,326	$492	$9,254,818
Loans for credit card business	—	—	5,844,040	5,844,040
Investment securities for banking business	815,997	—	890,547	1,706,544
Loans for banking business	—	—	2,694,857	2,694,857
Investment securities for insurance business	94,715	—	12,045	106,760
Investment securities	59,045	6,669	24,208	89,922
Deposits for banking business	—	8,889,113	—	8,889,113
Financial liabilities for securities business	—	8,295,607	—	8,295,607
Bonds and borrowings	—	4,919,181	—	4,919,181

(3) Reconciliation of Level 3 of the Hierarchy

The following reconciliation table indicates changes in the balances, from the beginning to the end of each year, of the financial instruments classified as Level 3, with one or more significant inputs not supported by observable market data.

For the year ended December 31, 2013

(Millions of Yen)

	Investment securities for banking business	Investment securities	Derivative assets/liabilities	Total
January 1, 2013	¥38,859	¥10,349	¥(18)	¥49,190
Gains or losses				
Net income	2,738	17	—	2,755
Other comprehensive income	0	45	—	45
Acquisition	—	1,122	—	1,122
Disposal	(704)	(15)	—	(719)
Issuance	—	—	—	—
Settlement	—	—	18	18
Redemption	(5,939)	—	—	(5,939)
Others	—	2,365	—	2,365
Transfer to Level 3	—	—	—	—
Transfer from Level 3	—	—	—	—
December 31, 2013	34,954	13,883	—	48,837
Total net income on financial instruments held at the end of previous year	2,773	17	—	2,790

Gains or losses included in net income during the year ended December 31, 2013 are included in “Revenue.”

For the year ended December 31, 2014

(Millions of Yen)

	Investment securities for banking business	Investment securities	Total
January 1, 2014	¥34,954	¥13,883	¥48,837
Gains or losses			
Net income	223	16	239
Other comprehensive income	0	17,260	17,260
Acquisition	—	1,745	1,745
Disposal	(1,676)	(313)	(1,989)
Issuance	—	—	—
Settlement	—	—	—
Redemption	(15,612)	—	(15,612)
Others	—	3,376	3,376
Transfer to Level 3	—	—	—
Transfer from Level 3 (Note)	—	(2,560)	(2,560)
December 31, 2014	17,889	33,407	51,296
Total net income on financial instruments held at the end of current year	233	16	249

(Thousands of U.S. Dollars)

	Investment securities for banking business	Investment securities	Total
January 1, 2014	$291,380	$115,730	$407,110
Gains or losses			
Net income	1,859	133	1,992
Other comprehensive income	0	143,881	143,881
Acquisition	—	14,547	14,547
Disposal	(13,972)	(2,609)	(16,581)
Issuance	—	—	—
Settlement	—	—	—
Redemption	(130,143)	—	(130,143)
Others	—	28,143	28,143
Transfer to Level 3	—	—	—
Transfer from Level 3 (Note)	—	(21,340)	(21,340)
December 31, 2014	149,124	278,485	427,609
Total net income on financial instruments held at the end of current year	1,942	133	2,075

(Note) Transfers were due to significant inputs used to measure fair value becoming observable.

Gains or losses included in net income during the year ended December 31, 2014 are included in “Revenue.”

The fair values of unlisted shares are measured in accordance with rules specified by the administrative department independent of the sales department. In measuring fair value, the Group Companies employ different valuation models that can most appropriately assess the property, characteristics and risks of each asset. The grounds for the employment of valuation models and fair value measurement processes are reported to the Risk Management Department with the aim of ensuring the utilization of appropriate fair value measurement policies and procedure.

The fair values of investment securities in the banking business are measured by the Risk Management Department in accordance with the office standard of market value calculation. Prices presented by transacting financial institutions and others are categorized by types of investment securities. To validate the consistency of changes in these prices, movements in important data that may affect a change in the market value of these categories of investment securities are carefully monitored. Validation results are reported to the Risk Management Committee, Management Meetings and the Board of Directors on a monthly basis.

For investment securities in the banking business classified as Level 3, if each input were to be changed to reasonable alternative assumptions, any resulting changes in fair value are not expected to be significant. Additionally, for other financial assets classified as Level 3, significant changes in fair value are not anticipated if each input were to be changed to reasonable alternative assumptions.

40. Offsetting of Financial Assets and Financial Liabilities

The Group Companies’ gross amount prior to offsetting of recognized financial assets and financial liabilities that are presented on net basis after offsetting in the statements of financial position, the offsetting amount and the net balance after offsetting are as follows. Additionally, the potential effect of offsetting legally enforceable master netting arrangements or similar agreements relating to recognized financial assets or financial liabilities are disclosed for amounts that are not presented on a net basis after offsetting.

As of December 31, 2013

(Financial assets that are presented on a net basis after offsetting in the statement of financial position, and legally enforceable master netting arrangements or similar agreements)

(Millions of Yen)

Financial assets	Type of transaction	Gross amount of recognized financial assets	Gross amount of recognized financial liabilities offset in the statement of financial position	Net amount of financial assets presented in the statement of financial position
Derivative assets	Derivatives	¥13,904	¥(1,865)	¥12,039
Financial assets for securities business	Reverse repurchase agreements, investment securities borrowing agreements and similar agreements	317,956	—	317,956
	Accounts receivable, etc. relating to investment securities and other transactions, etc.	815,560	(388,268)	427,292
Other financial assets	Accounts receivable − other, etc.	20,206	(16,441)	3,765

(Millions of Yen)

Type of transaction	Net amount of financial assets presented in the statement of financial position	Related amounts that are not presented on a net basis after offsetting in the statement of financial position		Net amount
		Financial instruments	Collateral received	
Derivatives	¥12,039	¥(8,570)	¥(228)	¥3,241
Reverse repurchase agreements, investment securities borrowing agreements and similar agreements	317,956	(317,956)	—	—
Accounts receivable, etc. relating to investment securities and other transactions, etc.	427,292	(395,542)	—	31,750
Accounts receivable − other, etc.	3,765	—	—	3,765

(Financial liabilities that are presented on a net basis after offsetting in the statement of financial position, and legally enforceable master netting arrangements or similar agreements)

(Millions of Yen)

Financial liabilities	Type of transaction	Gross amount of recognized financial liabilities	Gross amount of recognized financial assets offset in the statement of financial position	Net amount of financial liabilities presented in the statement of financial position
Derivative liabilities	Derivatives	¥9,187	¥(1,865)	¥7,322
Financial liabilities for securities business	Reverse repurchase agreements, investment securities borrowing agreements and similar agreements	163,594	—	163,594
	Accounts payable, etc. relating to investment securities and other transactions, etc.	1,108,317	(388,268)	720,049
Other financial liabilities	Accounts payable — other, etc.	28,493	(16,441)	12,052

(Millions of Yen)

Type of transaction	Net amount of financial liabilities presented in the statement of financial position	Related amounts that are not presented on a net basis after offsetting in the statement of financial position		Net amount
		Financial instruments	Collateral pledged	
Derivatives	¥7,322	¥(7,080)	¥(242)	¥—
Reverse repurchase agreements, investment securities borrowing agreements and similar agreements	163,594	(162,117)	—	1,477
Accounts payable, etc. relating to investment securities and other transactions, etc.	720,049	(566,534)	—	153,515
Accounts payable — other, etc.	12,052	—	—	12,052

As of December 31, 2014

(Financial assets that are presented on a net basis after offsetting in the statement of financial position, and legally enforceable master netting arrangements or similar agreements)

(Millions of Yen)

Financial assets	Type of transaction	Gross amount of recognized financial assets	Gross amount of recognized financial liabilities offset in the statement of financial position	Net amount of financial assets presented in the statement of financial position
Derivative assets	Derivatives	¥17,122	¥(3,655)	¥13,467
Financial assets for securities business	Reverse repurchase agreements, investment securities borrowing agreements and similar agreements	312,607	—	312,607
	Accounts receivable, etc. relating to investment securities and other transactions, etc.	530,505	(253,173)	277,332
Other financial assets	Accounts receivable − other, etc.	27,874	(24,468)	3,406

(Thousands of U.S. Dollars)

Financial assets	Type of transaction	Gross amount of recognized financial assets	Gross amount of recognized financial liabilities offset in the statement of financial position	Net amount of financial assets presented in the statement of financial position
Derivative assets	Derivatives	$142,731	$(30,469)	$112,262
Financial assets for securities business	Reverse repurchase agreements, investment securities borrowing agreements and similar agreements	2,605,927	—	2,605,927
	Accounts receivable, etc. relating to investment securities and other transactions, etc.	4,422,349	(2,110,478)	2,311,871
Other financial assets	Accounts receivable − other, etc.	232,361	(203,968)	28,393

(Millions of Yen)

Type of transaction	Net amount of financial assets presented in the statement of financial position	Related amounts that are not presented on a net basis after offsetting in the statement of financial position		Net amount
		Financial instruments	Collateral received	
Derivatives	¥13,467	¥(10,053)	¥—	¥3,414
Reverse repurchase agreements, investment securities borrowing agreements and similar agreements	312,607	(312,406)	—	201
Accounts receivable, etc. relating to investment securities and other transactions, etc.	277,332	(275,488)	—	1,844
Accounts receivable − other, etc.	3,406	—	—	3,406

(Thousands of U.S. Dollars)

Type of transaction	Net amount of financial assets presented in the statement of financial position	Related amounts that are not presented on a net basis after offsetting in the statement of financial position		Net amount
		Financial instruments	Collateral received	
Derivatives	$112,262	$(83,803)	$—	$28,459
Reverse repurchase agreements, investment securities borrowing agreements and similar agreements	2,605,927	(2,604,251)	—	1,676
Accounts receivable, etc. relating to investment securities and other transactions, etc.	2,311,871	(2,296,499)	—	15,372
Accounts receivable − other, etc.	28,393	—	—	28,393

(Financial liabilities that are presented on a net basis after offsetting in the statement of financial position, and legally enforceable master netting arrangements or similar agreements)

(Millions of Yen)

Financial liabilities	Type of transaction	Gross amount of recognized financial liabilities	Gross amount of recognized financial assets offset in the statement of financial position	Net amount of financial liabilities presented in the statement of financial position
Derivative liabilities	Derivatives	¥14,223	¥(3,655)	¥10,568
Financial liabilities for securities business	Reverse repurchase agreements, investment securities borrowing agreements and similar agreements	183,157	—	183,157
	Accounts payable, etc. relating to investment securities and other transactions, etc.	836,375	(253,173)	583,202
Other financial liabilities	Accounts payable — other, etc.	34,773	(24,468)	10,305

(Thousands of U.S. Dollars)

Financial liabilities	Type of transaction	Gross amount of recognized financial liabilities	Gross amount of recognized financial assets offset in the statement of financial position	Net amount of financial liabilities presented in the statement of financial position
Derivative liabilities	Derivatives	$118,565	$(30,469)	$88,096
Financial liabilities for securities business	Reverse repurchase agreements, investment securities borrowing agreements and similar agreements	1,526,817	—	1,526,817
	Accounts payable, etc. relating to investment securities and other transactions, etc.	6,972,115	(2,110,478)	4,861,637
Other financial liabilities	Accounts payable — other, etc.	289,872	(203,968)	85,904

(Millions of Yen)

Type of transaction	Net amount of financial liabilities presented in the statement of financial position	Related amounts that are not presented on a net basis after offsetting in the statement of financial position		Net amount
		Financial instruments	Collateral pledged	
Derivatives	¥10,568	¥(8,349)	¥(500)	¥1,719
Reverse repurchase agreements, investment securities borrowing agreements and similar agreements	183,157	(177,955)	—	5,202
Accounts payable, etc. relating to investment securities and other transactions, etc.	583,202	(376,460)	—	206,742
Accounts payable — other, etc.	10,305	—	—	10,305

(Thousands of U.S. Dollars)

Type of transaction	Net amount of financial liabilities presented in the statement of financial position	Related amounts that are not presented on a net basis after offsetting in the statement of financial position		Net amount
		Financial instruments	Collateral pledged	
Derivatives	$88,096	$(69,598)	$(4,168)	$14,330
Reverse repurchase agreements, investment securities borrowing agreements and similar agreements	1,526,817	(1,483,453)	—	43,364
Accounts payable, etc. relating to investment securities and other transactions, etc.	4,861,637	(3,138,213)	—	1,723,424
Accounts payable — other, etc.	85,904	—	—	85,904

The right to offset recognized financial assets and liabilities subject to a legally enforceable master netting agreement or other similar agreements that are not presented on a net basis after offsetting in the statement of financial position becomes enforceable and affects the realization or settlement of individual financial assets and liabilities only following a default or other specified circumstances not expected to arise in the normal course of business.

41. Financial Risk Management

The objective of Group Companies' investment activities is to protect the principal and ensure the efficient use of funds, fully taking into account various risks including credit risk, market risk and liquidity risk. In addition, in view of factors such as the current economic environment, the Group Companies' fund-raising activities are based on the best conceivable choice of the alternative options among direct as well as indirect financing methods.

The Group Companies' subsidiaries engage in the banking business with a primary focus on deposit-taking, foreign exchange business, and lending to individual customers, and they accept ordinary deposits from individual as well as corporate customers, and offer time deposits and foreign currency deposits to individual customers. In addition, using such financial liabilities as major resources, the subsidiaries provide unsecured card loans and residential mortgages to individual customers, as well as acquiring investment securities and monetary claims, establishing monetary trusts, engaging in market transactions such as call loans, along with derivative transactions and foreign exchange transactions associated with the sales of financial instruments to customers. The subsidiaries are always aware of the significance of a bank's social responsibility and public mission, which strictly restrains it from entering into investment transactions beyond its management capacity in the undue pursuit of profit, and emphasis is placed on investing deposits entrusted by customers with full consideration of safety. Furthermore, to ensure an optimum asset and liability structure along with appropriate capital adequacy over the entire financial operations from funding to investment, the subsidiaries engage in Asset and Liability Management (ALM) focused on interest rate sensitivity, funding liquidity and market liquidity.

The Group Companies' subsidiaries engaged in the securities business primarily focus on stock brokerage activities for individual investors, segregate the deposits and guarantee deposits received from customers in trusts for the separate management of deposit money and securities, under the Financial Instruments and Exchange Act, and invest in accordance with laws and regulations. When utilizing funds, importance is placed on the safety of investments, such as bank deposits and financial assets with high liquidity, while fund-raising is conducted mainly by borrowing from financial institutions.

The Group Companies' subsidiaries engaged in the credit card business (including the comprehensive credit purchase intermediation business, individual credit purchase intermediation business, credit guarantee business and loan business) restrict their investment of funds to short-term deposits, while obtaining funding through borrowings from banks and other financial institutions and through direct financing by issuance of commercial paper and securitization of receivables.

The Group Companies' subsidiaries engaged in the insurance business consider ensuring safety and profitability as their priority mission in asset management, in order to honor their commitment to the reliable payment of insurance claims and benefits over the years to come. Their policy in asset management is to invest mainly in domestic public and corporate bonds seeking to disperse risks, focusing primarily on government bonds and industrial bonds with superior credit ratings with an aim to receive consistent investment yields over the medium- to long-term, in an effort to develop a safety-first liquidity-oriented investment portfolio. Under the corporate policy, derivative transactions are handled responsibly, never to be treated as speculative instruments. Derivative transactions include foreign exchange margin transactions conducted by the securities business. In an effort to mitigate market risks associated with these transactions with clients, the Group Companies enter into cover deals with counterparties.

These financial assets are well diversified both in terms of the investees' types of business and their geographical locations, avoiding particular concentration of credit risk.

(1) Credit Risk

1) Outline of Credit Risk Associated with Financial Instruments

Financial assets held by the Group Companies are mainly accounts receivable — installment, operating loans, investment securities, banking business-related assets held by the subsidiaries engaged in the banking business, securities business-related assets held by the subsidiaries engaged in the securities business and insurance business-related assets held by the subsidiaries engaged in the insurance business.

Accounts receivable — installment and operating loans include credit card receivables, loan receivables, consumer loans and secured loans held by the subsidiaries engaged in the credit card business, all of which are presented as loans for credit card business. These are exposed to credit risk associated with respective debtors.

Investment securities include debt instruments, which are exposed to credit risk.

Banking business-related assets include investment securities for banking business and loans for banking business. Investment securities for banking business mainly include securities in shares, domestic bonds and foreign bonds, as well as trust beneficiary rights. Such securities are exposed to credit risk subject to the financial position of issuers, while trust beneficiary rights are exposed to credit risk of the issuers as well as underlying assets. Loans for banking business include unsecured card loans and residential mortgages for individual customers that are exposed to credit risk of individual customers. Securities business-related assets include cash segregated as deposits for securities business and margin transaction assets, which are presented as financial assets for securities business. Cash segregated as deposits for securities business are primarily trust segregated for customer’s money, which are invested in bank deposits, thus exposed to the credit risk of the deposit-taking financial institutions. Margin transaction assets are exposed to customers’ credit risk.

Insurance business-related assets include investment securities for insurance business. Investment securities for insurance business mainly include government bonds, municipal bonds and corporate bonds, and are exposed to credit risk related to the financial position of issuers.

2) Management System of Credit Risks Associated with Financial Instruments

Specific methods and systems to manage various risks within the Group Companies are set out under various risk management regulations established at each Group Company.

Credit risks are managed under the above regulations, through establishing individual credit limits, understanding the credit status of individual customers, and controlling due dates and loan balances on a regular basis, while efforts are made on early detection and mitigation of the risk of default resulting from deterioration of borrowers’ financial conditions and other factors. Meanwhile, derivative transactions are managed based on “the Detailed Regulations for Hedge Trading Management.” Derivative transactions are exposed to the risk of financial loss resulting from a counterparty’s contractual default, though credit risk is deemed to be minimal, because counterparties are mainly financial institutions with superior credit ratings.

3) Exposure to Credit Risks

The Group Companies’ maximum exposure to credit risk is as follows:

The maximum credit risk exposure (gross) represents the maximum exposure to credit risk without taking into account the collateral held by the Group Companies and any other credit enhancement. The maximum credit risk exposure (net) represents the maximum credit risk exposure, after reflecting the amount of credit risk mitigation through the collateral held by the

Group Companies and any other credit enhancement. The amount of credit risk mitigation through the collateral held by the Group Companies and any other credit enhancement does not include part of the amount of collateral and others stated in “Note 40. Offsetting of Financial Assets and Financial Liabilities.”

The maximum exposure to credit risk (gross) associated with financial assets stated as on-balance sheet items recognized in the Statements of Financial Position in the following table, are the same as their carrying amounts. The maximum exposure to credit risk associated with the provision of financial guarantees stated as off-balance sheet items in the following table, are the maximum amount payable in the event that exercise of the guarantee is requested. Meanwhile, the maximum exposure to credit risk associated with commitment line agreements is the unused portion of such commitment lines.

As of December 31, 2013

(Millions of Yen)

	Classification by creditworthiness							
	Financial assets neither past due nor impaired	Financial assets past due but not impaired	Financial assets impaired	Total	Allowance for doubtful accounts	Maximum credit risk exposure (gross)	Total amount of collateral and credit enhancement	Maximum credit risk exposure (net)
Items recognized in the Statement of Financial Position:								
Cash and cash equivalents	¥384,008	¥—	¥—	¥384,008	¥—	¥384,008	¥—	¥384,008
Accounts receivable — trade	65,675	7,255	2,369	75,299	(1,856)	73,443	—	73,443
Financial assets for securities business	1,218,812	111	1,470	1,220,393	(1,406)	1,218,987	317,956	901,031
Loans for credit card business	532,016	10,021	22,570	564,607	(20,293)	544,314	—	544,314
Investment securities for banking business	197,952	—	—	197,952	(55)	197,897	—	197,897
Loans for banking business	240,202	406	10	240,618	(800)	239,818	—	239,818
Investment securities for insurance business	10,233	—	—	10,233	—	10,233	—	10,233
Derivative assets	12,588	—	—	12,588	—	12,588	—	12,588
Investment securities	9,332	—	—	9,332	—	9,332	—	9,332
Other financial assets	158,595	439	478	159,512	(454)	159,058	—	159,058
Total of items recognized in the Consolidated Statement of Financial Position:	2,829,413	18,232	26,897	2,874,542	(24,864)	2,849,678	317,956	2,531,722
Items not recognized in the Statement of Financial Position:								
Commitment lines	—	—	—	—	—	2,034,622	—	2,034,622
Financial guarantee agreements	—	—	—	—	—	17,523	—	17,523
Total of items not recognized in the Consolidated Statement of Financial Position:	—	—	—	—	—	2,052,145	—	2,052,145
Total	2,829,413	18,232	26,897	2,874,542	(24,864)	4,901,823	317,956	4,583,867

As of December 31, 2014

(Millions of Yen)

	Classification by creditworthiness: Financial assets neither past due nor impaired	Financial assets past due but not impaired	Financial assets impaired	Total	Allowance for doubtful accounts	Maximum credit risk exposure (gross)	Total amount of collateral and credit enhancement	Maximum credit risk exposure (net)
Items recognized in the Statement of Financial Position:								
Cash and cash equivalents	¥428,635	¥—	¥—	¥428,635	¥—	¥428,635	¥—	¥428,635
Accounts receivable — trade	79,930	8,945	2,148	91,023	(2,152)	88,871	—	88,871
Financial assets for securities business	1,110,648	157	1,230	1,112,035	(1,147)	1,110,888	312,607	798,281
Loans for credit card business	677,273	12,055	23,921	713,249	(20,363)	692,886	—	692,886
Investment securities for banking business	222,389	—	—	222,389	(92)	222,297	—	222,297
Loans for banking business	322,067	755	16	322,838	(961)	321,877	—	321,877
Investment securities for insurance business	12,205	—	—	12,205	—	12,205	—	12,205
Derivative assets	13,927	—	—	13,927	—	13,927	—	13,927
Investment securities	12,909	—	—	12,909	—	12,909	—	12,909
Other financial assets	143,836	143	776	144,755	(472)	144,283	—	144,283
Total of items recognized in the Consolidated Statement of Financial Position:	3,023,819	22,055	28,091	3,073,965	(25,187)	3,048,778	312,607	2,736,171
Items not recognized in the Statement of Financial Position:								
Commitment lines	—	—	—	—	—	2,312,745	—	2,312,745
Financial guarantee agreements	—	—	—	—	—	14,806	—	14,806
Total of items not recognized in the Consolidated Statement of Financial Position:	—	—	—	—	—	2,327,551	—	2,327,551
Total	3,023,819	22,055	28,091	3,073,965	(25,187)	5,376,329	312,607	5,063,722

(Thousands of U.S. Dollars)

	Classification by creditworthiness							
	Financial assets neither past due nor impaired	Financial assets past due but not impaired	Financial assets impaired	Total	Allowance for doubtful accounts	Maximum credit risk exposure (gross)	Total amount of collateral and credit enhancement	Maximum credit risk exposure (net)
Items recognized in the Statement of Financial Position:								
Cash and cash equivalents	$3,573,149	$—	$—	$3,573,149	$—	$3,573,149	$—	$3,573,149
Accounts receivable — trade	666,305	74,567	17,906	758,778	(17,939)	740,839	—	740,839
Financial assets for securities business	9,258,486	1,309	10,254	9,270,049	(9,562)	9,260,487	2,605,927	6,654,560
Loans for credit card business	5,645,824	100,491	199,408	5,945,723	(169,748)	5,775,975	—	5,775,975
Investment securities for banking business	1,853,860	—	—	1,853,860	(767)	1,853,093	—	1,853,093
Loans for banking business	2,684,787	6,294	133	2,691,214	(8,011)	2,683,203	—	2,683,203
Investment securities for insurance business	101,742	—	—	101,742	—	101,742	—	101,742
Derivative assets	116,097	—	—	116,097	—	116,097	—	116,097
Investment securities	107,611	—	—	107,611	—	107,611	—	107,611
Other financial assets	1,199,033	1,192	6,469	1,206,694	(3,935)	1,202,759	—	1,202,759
Total of items recognized in the Consolidated Statement of Financial Position:	25,206,894	183,853	234,170	25,624,917	(209,962)	25,414,955	2,605,927	22,809,028
Items not recognized in the Statement of Financial Position:								
Commitment lines	—	—	—	—	—	19,279,301	—	19,279,301
Financial guarantee agreements	—	—	—	—	—	123,425	—	123,425
Total of items not recognized in the Consolidated Statement of Financial Position:	—	—	—	—	—	19,402,726	—	19,402,726
Total	25,206,894	183,853	234,170	25,624,917	(209,962)	44,817,681	2,605,927	42,211,754

Classification of creditworthiness of loans for banking business and investment securities for banking business is based on a determination of borrower’s repayment capability considering their financial condition, cash flow and earnings capacity, and the respective financial assets are managed based on the probability of recovery from each borrower as well as the extent of associated impairment risks. Classification of creditworthiness of loans for credit card business is based on consideration of the delinquency status and the repayment capability of each borrower.

4) Aging Analysis of Past Due But Not Impaired Financial Assets

Aging analysis of past due but not impaired financial assets is as follows.

In the following aging analysis, amounts of financial assets, for which the payment terms have been extended or payment has not been made since the contractual due dates, are classified according to the length of the overdue period from the respective due dates for each fiscal year.

As of December 31, 2013

(Millions of Yen)

	Six months or less	Over six months to one year	Over one year
Accounts receivable — trade	¥7,201	¥44	¥10
Financial assets for securities business	44	37	30
Loans for credit card business (Note)	7,229	2,792	—
Loans for banking business	406	—	—
Other financial assets	41	1	397
Total	14,921	2,874	437

(Note) Among the loans for credit card business, those past due for three months or less is ¥5,386 million, while those past due between three and six months is ¥1,843 million.

As of December 31, 2014

(Millions of Yen)

	Six months or less	Over six months to one year	Over one year
Accounts receivable — trade	¥8,581	¥244	¥120
Financial assets for securities business	96	6	55
Loans for credit card business (Note)	9,073	2,982	—
Loans for banking business	755	—	—
Other financial assets	99	1	43
Total	18,604	3,233	218

(Thousands of U.S. Dollars)

	Six months or less	Over six months to one year	Over one year
Accounts receivable — trade	$71,532	$2,035	$1,000
Financial assets for securities business	800	50	459
Loans for credit card business (Note)	75,633	24,858	—
Loans for banking business	6,294	—	—
Other financial assets	826	8	358
Total	155,085	26,951	1,817

(Note) Among the loans for credit card business, those past due for three months or less is ¥6,569 million ($54,760 thousand), while those past due between three months and six months is ¥2,504 million ($20,874 thousand).

5) Financial Assets Individually Assessed as Impaired

Analysis of the financial assets individually assessed as impaired is as follows:

As of December 31, 2013

(Millions of Yen)

	Carrying amount	Allowance for doubtful accounts	Carrying amount less allowance for doubtful accounts
Accounts receivable — trade	¥2,369	¥(1,028)	¥1,341
Financial assets for securities business	1,470	(1,372)	98
Loans for credit card business	22,570	(13,411)	9,159
Loans for banking business	10	(10)	—
Other financial assets	478	(306)	172
Total	26,897	(16,127)	10,770

As of December 31, 2014

(Millions of Yen)

	Carrying amount	Allowance for doubtful accounts	Carrying amount less allowance for doubtful accounts
Accounts receivable — trade	¥2,148	¥(1,320)	¥828
Financial assets for securities business	1,230	(1,147)	83
Loans for credit card business	23,921	(12,325)	11,596
Loans for banking business	16	(16)	—
Other financial assets	776	(239)	537
Total	28,091	(15,047)	13,044

(Thousands of U.S. Dollars)

	Carrying amount	Allowance for doubtful accounts	Carrying amount less allowance for doubtful accounts
Accounts receivable — trade	$17,906	$(11,004)	$6,902
Financial assets for securities business	10,254	(9,562)	692
Loans for credit card business	199,408	(102,743)	96,665
Loans for banking business	133	(133)	—
Other financial assets	6,469	(1,992)	4,477
Total	234,170	(125,434)	108,736

(2) Liquidity Risk

1) Outline of Liquidity Risk Associated with Financial Instruments

Within financial liabilities held by the Group Companies, borrowings are mainly exposed to market risks, and banking business-related liabilities are exposed to liquidity risk.

2) Management of Liquidity Risk Associated with Financial Instruments

Methods to control liquidity risk associated with funding include a cash management plan to ensure adequate liquidity on hand in accordance with regulations established by each Group Company. Liquidity risk arising from factors, such as holding investment securities, is managed by limiting the acquisition of securities to the amount necessary from a business standpoint, and carefully evaluating the financial conditions of issuers.

3) Analysis of Maturity of Financial Liabilities

The balances by maturity of financial liabilities (including derivatives) are as follows:

As of December 31, 2013

(Millions of Yen)

	One year or less	Over one year to two years	Over two years to three years	Over three years to four years	Over four years to five years	Over five years
Financial liabilities other than derivatives						
Accounts payable — trade	¥115,357	¥—	¥—	¥—	¥—	¥—
Deposits for banking business	807,485	11,422	6,065	8,558	14,556	132,614
Financial liabilities for securities business	1,077,971	—	—	—	—	—
Bonds and borrowings	265,323	45,221	45,415	30,092	7,747	142
Other financial liabilities	220,939	3,711	1,254	565	180	121
Derivative liabilities	6,634	298	220	151	124	347
Derivatives associated with cover deals of special time deposits	(605)	(1,210)	(701)	(815)	(295)	(5,174)
Off-balance sheet items						
Commitment lines	2,034,622	—	—	—	—	—
Financial guarantee agreements	17,523	—	—	—	—	—

(Note) Financial liabilities payable on demand are classified as “One year or less.” “Deposits for banking business” include ¥556,765 million of demand deposits.

“Derivatives associated with cover deals of special time deposits” are related to “Deposits for banking business.”

As of December 31, 2014

(Millions of Yen)

	One year or less	Over one year to two years	Over two years to three years	Over three years to four years	Over four years to five years	Over five years
Financial liabilities other than derivatives						
Accounts payable — trade	¥137,042	¥—	¥—	¥—	¥—	¥—
Deposits for banking business	959,769	9,125	19,782	13,499	6,453	135,139
Financial liabilities for securities business	995,141	—	—	—	—	—
Bonds and borrowings	264,599	78,447	89,741	50,358	41,736	75,403
Other financial liabilities	219,867	21,378	780	445	146	—
Derivative liabilities	10,238	408	302	209	146	236
Derivatives associated with cover deals of special time deposits	(1,308)	(783)	(847)	(340)	(216)	(5,300)
Off-balance sheet items						
Commitment lines	2,312,745	—	—	—	—	—
Financial guarantee agreements	14,806	—	—	—	—	—

(Thousands of U.S. Dollars)

	One year or less	Over one year to two years	Over two years to three years	Over three years to four years	Over four years to five years	Over five years
Financial liabilities other than derivatives						
Accounts payable — trade	$1,142,397	$—	$—	$—	$—	$—
Deposits for banking business	8,000,742	76,067	164,905	112,529	53,793	1,126,534
Financial liabilities for securities business	8,295,607	—	—	—	—	—
Bonds and borrowings	2,205,727	653,943	748,091	419,790	347,916	628,568
Other financial liabilities	1,832,836	178,209	6,502	3,710	1,217	-
Derivative liabilities	85,345	3,401	2,518	1,742	1,217	1,967
Derivatives associated with cover deals of special time deposits	(10,904)	(6,527)	(7,061)	(2,834)	(1,801)	(44,181)
Off-balance sheet items						
Commitment lines	19,279,301	—	—	—	—	—
Financial guarantee agreements	123,424	—	—	—	—	—

(Note) Financial liabilities payable on demand are classified as “One year or less.” “Deposits for banking business” include ¥628,330 million ($5,237,829 thousand) of demand deposits.

“Derivatives associated with cover deals of special time deposits” are related to “Deposits for banking business.”

(3) Market Risk

1) Outline of Market Risk Associated with Financial Instruments

The Group Companies’ activities are exposed mainly to risks associated with changes in the economic environment and the financial market environment. Risks associated with changes in the financial market environment are specifically, exchange rate risk, interest rate risk and price fluctuation risk.

Financial assets held by the Group Companies exposed to market risks are mainly investment securities, investment securities for banking business, and investment securities for insurance business. Investment securities include shares that are exposed to price fluctuation risk. Investment securities for banking business mainly include investment securities such as shares, government bonds, municipal bonds and foreign securities as well as various trust beneficiary rights, with exposure to interest rate risk and exchange rate risk, along with exposure to price fluctuation risk which, however, is minimal as the Group Companies do not hold any listed shares. Investment securities for insurance business mainly include government bonds, municipal bonds and corporate bonds, for which exposure to price fluctuation risk is minimal.

Within the financial liabilities held by the Group Companies, those exposed to market risks are mainly borrowings and banking business-related liabilities, which are exposed primarily to interest rate risk. Banking business-related liabilities include ordinary deposits for individual and corporate customers, general time deposits for individual customers, new types of time deposits, as well as ordinary foreign currency deposits and foreign currency time deposits. Although new types of time deposits are exposed to interest rate risk, such risk is hedged by entering into corresponding interest rate swap transactions. Although ordinary foreign currency deposits and foreign currency time deposits are exposed to exchange rate risk, such risk is hedged by entering into corresponding forward exchange contracts.

2) Management of Market Risks Associated with Financial Instruments

Within the financial instruments associated with market risks, investment securities are subject to investment decisions based on consultation with the Board of Directors, as part of the management to ensure that such investment securities are appropriately evaluated according to internal regulations. With regard to foreign currency receivables arising from sales to customers, the Group Companies' own positions are regulated by establishing position limits and maximum allowable losses for the prevention of any loss in excess of certain levels, in addition to the monitoring of daily sales conditions. With regard to financial assets held by subsidiaries engaged in the banking business, such financial assets and liabilities are measured at fair value assuming certain fluctuations in interest rates and exchange rates, and the effects on the net balance after offsetting such financial assets and liabilities (referred to as the "present value") are used in a quantitative analysis to manage interest rate risk and exchange rate risk.

3) Interest Rate Risk (Excluding the Subsidiaries Engaged in Banking Business)

The Group Companies' main financial liabilities are borrowings from financial institutions, of which borrowings at floating interest rates are exposed to interest rate risk.

Exposures associated with the Group Companies' financial liabilities are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	December 31, 2013	December 31, 2014	December 31, 2014
Bonds and borrowings	¥389,683	¥589,927	$4,917,698
Floating interest rate	216,023	340,720	2,840,280
Fixed interest rate	173,660	249,207	2,077,418

In respect of the above exposures, given all the risk variables remaining constant, except for interest rate risk, if all the key interest rates increased by 10 basis points (0.1%) for the year ended December 31, 2013, income and equity would be negatively impacted by ¥121 million. Conversely, in the event of a decrease of 0.1%, income and equity would be positively impacted by ¥121 million compared to the amounts reported for the year ended December 31, 2013. Similarly, given all the risk variables remaining constant, except for interest rate risk, if all the key interest rates increased by 10 basis points (0.1%) for the year ended December 31, 2014, income and equity would be negatively impacted by ¥269 million ($2,242 thousand). Conversely, in the event a decrease of 0.1%, income and equity would be positively impacted by ¥269 million ($2,242 thousand) compared to the amounts reported as of December 31, 2014.

Within bonds and borrowings with floating interest rates, the Group Companies have implemented interest rate swap transactions to reduce interest rate fluctuation risk, and the balances of fixed interests were ¥52,274 million and ¥72,098 million ($601,017 thousand) as of December 31, 2013 and 2014, respectively.

4) Price Fluctuation Risk

The Group Companies are exposed to share price fluctuation risk associated with equity instruments. Equity instruments are not held for short-term trading purposes, but for the efficient implementation of business strategies. The Group Companies regularly check the market prices of their equity instruments and financial conditions of their issuers.

The Group Companies carried out a sensitivity analysis as follows, based on the price risk of equity instruments at the end of the year.

In the event of a 5% rise in share prices, accumulated other comprehensive income (before tax effect) would increase by ¥575 million for the year ended December 31, 2013 due to changes in fair value. Conversely, in the event of a 5% fall, it would decrease by ¥575 million. Similarly, in the event of 5% rise in share prices, accumulated other comprehensive income (before tax effect) for the year ended December 31, 2014 would increase by ¥327 million ($2,726 thousand) due to changes in fair value. Conversely, in the event of 5% fall, it would decrease by ¥327 million ($2,726 thousand).

5) Management of Market Risks for Subsidiaries Engaged in Banking Business

(Interest Rate Risk)

At the Group Companies' subsidiaries engaged in the banking business, financial assets exposed to interest rate risk, which is a significant risk variable, are mainly investment securities for banking business and loans for banking business.

Financial liabilities exposed to interest rate risk include, ordinary deposits for individual and corporate customers, general time deposits and new type of time deposits for individual customers, as well as foreign currency ordinary deposits, foreign currency time deposits and interest rate swap transactions as part of derivative transactions.

For subsidiaries engaged in the banking business, the effect of present value of these financial assets and liabilities, given certain fluctuations in interest rates, is used in quantitative analysis as part of the process to manage interest rate risk.

In calculating the effect of the present value, the corresponding financial assets and financial liabilities are classified into a fixed rate group and a floating rate group, and then the balance of each group is allocated to an appropriate period based on maturity with a fluctuation range of the interest rate for the period. Specifically, given all other risk variables remaining constant, except for the interest rate risk, when all the key interest rates increase 10 basis points (0.1%) for the year ended December 31, 2013, the present value as of December 31, 2013 would decrease by ¥1,483 million. Conversely, in the case a decrease of 10 basis points (0.1%), it would increase by ¥1,483 million. Similarly, given all the risk variables remaining constant except for interest rate, when all the key interest rates increase 10 basis points (0.1%) for the year ended December 31, 2014, the present value as of December 31, 2014 would decrease by ¥2,736 million ($22,808 thousand). Conversely, in the case of a decrease of 10 basis points (0.1%), it would increase by ¥2,736 million ($22,808 thousand).

These effects do not take into account correlations between interest rates and other risk variables, further foreign currency-denominated assets and liabilities are calculated in Japanese yen as translated by the exchange rates on December 31, 2013 and 2014. Additionally, the effects of a 10 basis point decline leading to negative interest rates in certain periods have not been excluded.

(Exchange Rate Risk)

For the Group Companies' subsidiaries engaged in the banking business, financial assets exposed to exchange rate risk, which is a significant risk variable, are foreign securities and foreign exchange transactions.

Financial liabilities exposed to exchange rate risk include, foreign currency ordinary deposits and foreign currency time deposits of all deposits, and forward exchange contracts as part of derivative transactions.

For the subsidiaries engaged in the banking business, the effect of the present value of these financial assets and liabilities from exchange fluctuations is used for a quantitative analysis as part of the process to manage exchange rate risk.

In calculating the effect of the present value, the corresponding financial assets and financial liabilities are classified by currency and the respective currency's fluctuation range is used as the basis for analysis. Specifically, given all the other risk variables remaining constant, except for the exchange rate risk, in the event of a 10% appreciation in the value of the Japanese yen against each foreign currency, the present value as of December 31, 2013 would decrease by ¥14 million. Conversely, in the event of a 10% depreciation in the value of the Japanese yen against each foreign currency, the present value would increase by ¥14 million. Similarly, given all the other risk variables remaining constant, except for the exchange rate risk, in the event of a 10% appreciation in the value of the Japanese yen against each foreign currency, the present value as of December 31, 2014 would decrease by ¥14 million ($117 thousand). Conversely, in the event of a 10% depreciation in the value of the Japanese yen against each foreign currency, the present value would increase by ¥14 million ($117 thousand).

These effects do not take into account correlations between exchange rates and other risk variables, while the effect of the present value by currency is calculated in Japanese yen as translated by the exchange rates on December 31, 2013 and 2014.

6) Management of Market Risks for Subsidiaries Engaged in Securities Business

(Exchange Rate Risk)

For the Group Companies' subsidiaries engaged in the securities business, contracts and management structure regarding foreign exchange margin transactions have been changed from the year ended December 31, 2013. Financial assets and liabilities exposed to exchange rate risk, which is a significant risk variable, are mainly derivative assets and liabilities arising from these foreign exchange margin transactions.

The subsidiaries conduct a quantitative analysis on the effect of the present value of these financial assets and liabilities, given certain fluctuations in exchange rate.

In calculating the effect of the present value, the corresponding financial assets and financial liabilities are classified by currency and the respective currency's fluctuation range is used as the basis for analysis. Specifically, given all the other risk variables remaining constant, except for the exchange rate risk, in the event of a 10% appreciation in the value of the Japanese yen against each foreign currency, the present value as of December 31, 2013 would decrease by ¥3 million. Conversely, in the event of a 10% depreciation in the value of the Japanese yen against each foreign currency, the present value would increase by ¥3 million. Similarly, given all the other risk variables remaining constant, except for the exchange rate risk, in the event of a 10% appreciation in the value of the Japanese yen against each foreign currency, the present value as of December 31, 2014 would decrease by ¥17 million ($142 thousand). Conversely, in the event of a 10% depreciation in the value of the Japanese yen against each foreign currency, the present value would increase by ¥17 million ($142 thousand).

These effects do not take into account correlations between exchange rates and other risk variables, while the effect of the present value by currency is calculated in Japanese yen as translated by the exchange rates on December 31, 2013 and 2014.

42. Capital Management

The Group Companies' capital structure is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	December 31, 2013	December 31, 2014	December 31, 2014
Total liabilities	¥2,903,354	¥3,252,609	$27,114,113
Less: Cash and cash equivalents	384,008	428,635	3,573,149
Net liabilities	2,519,346	2,823,974	23,540,964
Total equity	306,454	428,086	3,568,573

The Company's subsidiaries, Rakuten Bank, Ltd., Rakuten Securities, Inc. and Rakuten Life Insurance Co., Ltd. are subject to regulations by the Financial Services Agency over their equity ratio, capital-to-risk ratio and solvency margin ratio, which are duly complied with.

43. Related Parties

Related party transactions and their corresponding outstanding balances of receivables and payables between the Group Companies and other related parties are as follows. Although the consolidated subsidiaries are related parties of the Company, such transactions and the corresponding outstanding balances with subsidiaries are not subject to disclosure as they are eliminated for the purpose of consolidated financial statements.

(1) Related Party Transactions

(Millions of Yen)

	December 31, 2013			December 31, 2014		
	Associates	Executives	Total	Associates	Executives	Total
Revenue	¥2,209	¥19	¥2,228	¥1,354	¥—	¥1,354
Operating expenses	1,893	—	1,893	1,402	19	1,421
Accounts receivable — trade (Note 1)	104	—	104	104	—	104
Deposits for banking business	—	3,770	3,770	—	207	207
Financial liabilities for securities business	—	25	25	—	—	—
Common stock	—	235	235	—	617	617
Capital reserve	—	235	235	—	617	617

(Thousands of U.S. Dollars)			
	December 31, 2014		
	Associates	Executives	Total
Revenue	$11,287	$—	$11,287
Operating expenses	11,687	159	11,846
Accounts receivable — trade (Note 1)	867	—	867
Deposits for banking business	—	1,726	1,726
Financial liabilities for securities business	—	—	—
Common stock	—	5,143	5,143
Capital reserve	—	5,143	5,143

(Notes) 1. An allowance for doubtful accounts of ¥35 million has been recorded against accounts receivable—trade at December 31, 2013. An allowance for doubtful accounts of ¥72 million ($600 thousands) has been recorded against accounts receivable—trade at December 31, 2014.

2. There are no transactions involving collateral and guarantees.

(2) Transactions with Companies in which Majority of Voting Rights are Held by the Group Companies' Principal Shareholders (Individuals) and their Close Relatives

	Millions of Yen		Thousands of U.S. Dollars
	December 31, 2013	December 31, 2014	December 31, 2014
Revenue (Note 1)	¥16	¥27	$225
Operating expenses (Note 2)	342	444	3,701
Other assets (Note 3)	21	28	233
Deposits for banking business	47	24	200
Accounts payable — trade (Note 4)	2	3	25

(Notes) 1 Revenue is from commissions on ticket sales, and ticket sales are entrusted by Crimson Football Club, Inc. Commissions on ticket sales are determined in a similar manner as general business terms and conditions. Chairman and President and Representative Director of the Company, Hiroshi Mikitani indirectly owned 100% of the voting rights in Crimson Football Club, Inc. Crimson Football Club, Inc. became a wholly owned subsidiary of the Company as of January 5, 2015. The above transactions occurred up to the fiscal year ended December 31, 2014.

2 Operating expenses are sponsorship fees payable to Crimson Football Club, Inc. for planning and organizing football matches and other events. The amount of sponsorship fees is determined in view of the past transactions at other football clubs.

3 Other assets are prepaid expenses resulting from advertising transactions. These

receivables are unsecured in effect, charging no interest. Allowance for doubtful accounts is not recorded for the receivables from related parties.

4 Accounts payable — trade is accounts payable resulting from advertising transactions, due one month after the purchase date. No interest is charged to these payables.

(3) Executive Compensation

Executive compensation is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Year ended December 31, 2013	Year ended December 31, 2014	Year ended December 31, 2014
Short-term employee benefits (Note)	¥856	¥801	$6,677
Share-based payments	48	107	892
Total	904	908	7,569

(Note) Short-term employee benefits include salaries and bonuses for those employees who serve concurrently as employees and Directors.

44. Business Combinations

For the year ended December 31, 2013

There are no significant business combinations to be disclosed.

For the year ended December 31, 2014

Business Combination with VIBER MEDIA LTD.

(1) Outline of the business combination is as follows:

1) Name of the Acquiree and Business Description

Name of the Acquiree: VIBER MEDIA LTD.

Description of the Business: Mobile messaging service and VoIP service operator

2) Reason for the Business Combination

The Company operates three main businesses on a global scale: e-commerce, financial services, and digital contents. VIBER MEDIA LTD. is a worldwide operator of mobile messaging and VoIP services called “Viber.” By making VIBER MEDIA LTD. a subsidiary, the Company aims to utilize Viber’s broad customer base and strengthen its platform for providing EC services and digital contents which operate worldwide.

3) Acquisition Date: March 11, 2014

4) Type of the Business Combination: Acquisition of shares

5) Name after the Business Combination: No change in the name of the company after the business combination

6) Ratio of Acquired Voting Rights: 100.0%

7) Rationale for determining that the Company is the Acquirer

The Company acquired all the shares in VIBER MEDIA LTD. in exchange for cash consideration.

(2) Information on Consideration Paid for Acquiree

	Millions of Yen	Thousands of U.S. Dollars
Consideration paid:		
Cash	¥81,654	$680,677
Total consideration paid	81,654	680,677

(3) Costs directly associated with the acquisition were ¥110 million ($917 thousand) presented as "Operating expenses."

(4) The amount of, and reason for goodwill recognized are as follows:

1) Amount of goodwill: 824 million U.S. dollars

2) Reason for goodwill recognition: Goodwill has been recognized based on a reasonable estimation of the excess earnings power anticipated in association with future business development.

(5) Assets acquired and liabilities assumed at the acquisition date are as follows:

(Millions of U.S. dollars)

	Fair Value
Assets	
Cash and cash equivalents	$7
Intangible assets	77
Others	9
Total assets	93
Liabilities	
Accounts payable — other	21
Borrowings	82
Others	17
Total liabilities	120

(6) The impact on the Group Companies' revenue and net income on the assumption that the business combination had taken place on January 1 would be insignificant, and thus the description is omitted.

Business Combination with Ebates Inc.

(1) Outline of the business combination is as follows:

1) Name of the Acquiree and the Description of its Business

Name of the Acquiree: Ebates Inc.

Description of the Business: Operator of membership-based online cash-back sites

2) Reason for the Business Combination

Ebates Inc., founded in 1999, is a pioneer and major operator of membership-based online cash-back sites. The company has established and provides a robust platform to support the growth of e-commerce business for major retailing stores. Its network has spread to more than 2,600 enterprises across a variety of type of business types and product categories, ranging from major e-commerce websites, bricks and mortar retailers increasing their focus on e-commerce operations to online travel agencies, etc. Ebates Inc. also has 2.5 million active loyal members, and the purchase amount per member is steadily increasing. The Company believes that Ebates Inc. has a high affinity for Rakuten's business model as both companies' business models are membership-based businesses. By integrating the two companies, the Company intends to create an attractive and innovative membership-based marketplace with particular emphasis on point programs. Through this share acquisition, the Group Companies aim to dramatically improve its global e-commerce strategy and lead the global e-commerce market.

3) Acquisition Date: October 9, 2014
4) Type of Business Combination: Acquisition of shares
5) Name after Business Combination: No change in the name of the company after the business combination
6) Ratio of Acquired Voting Rights: 100.0%
7) Rationale for determining that the Company is the Acquirer
The Company acquired shares of Ebates Inc. in exchange for cash consideration.

(2) Information on Consideration Paid for Acquiree

	Millions of Yen	Thousands of U.S. Dollars
Consideration paid:		
Cash	¥99,401	$828,618
Total consideration paid	99,401	828,618

(3) Costs directly associated with the acquisition were ¥872 million ($7,269 thousand) presented as "Operating expenses."

(4) The amount of, and reason for goodwill recognized are as follows:
1) Amount of Goodwill: 825 million U.S. dollars
2) Reason for goodwill recognized: Goodwill has been recognized based on a reasonable estimation of excess earning power anticipated in association with the future business development.

(5) Assets acquired and liabilities assumed at the acquisition date are as follows:

(Millions of U.S. dollars)

	Fair Value
Assets	
Cash and cash equivalents	$52
Intangible assets	138
Others	99
Total assets	289
Liabilities	
Accounts payable — other	96
Others	87
Total liabilities	183

(6) The impact on the Group Companies' revenue and net income on the assumption that the business combination had taken place on January 1 would be insignificant, and thus the description is omitted.

45. Major Subsidiaries

(1) Major Subsidiaries

Major subsidiaries of the Group Companies are as follows:

Name	Location	Capital (Millions of Yen)	December 31, 2013 Voting rights ratio	December 31, 2013 Ownership	December 31, 2014 Voting rights ratio	December 31, 2014 Ownership	Notes
Internet Services Segment:							
Rakuten Travel, Inc.	Tokyo	—	100%	100%	—	—	(Note 8)
RAKUTEN MARKETING LLC	U.S.	1 U.S. dollar	100%	100%	100%	100%	(Note 6)
RAKUTEN COMMERCE LLC	U.S.	11 million U.S. dollars	100%	100%	100%	100%	(Note 7)
PRICEMINISTER S.A.S.	France	356 thousand euros	100%	100%	100%	100%	
Rakuten Auction, Inc.	Tokyo	¥1,650	60.0%	60.0%	60.0%	60.0%	
LinkShare Japan K.K.	Tokyo	¥259	100%	100%	100%	100%	
Rakuten Kobo Inc.	Canada	823 million Canadian dollars	100%	100%	100%	100%	(Note 5)
Kenko.com, Inc.	Tokyo	¥2,204	51.2%	50.8%	56.8%	56.8%	(Note 3)
Rakuten Logistics, Inc.	Tokyo	—	100%	100%	—	—	(Note 9)
VIKI, Inc.	U.S.	1 U.S. dollar	100%	100%	100%	100%	
Ebates Inc.	U.S.	0.1 U.S. dollar	—	—	100%	100%	(Note 10)
Internet Finance Segment:							
Rakuten Card Co., Ltd.	Tokyo	¥19,324	100%	100%	100%	100%	
Rakuten Securities, Inc.	Tokyo	¥7,496	100%	100%	100%	100%	
Rakuten Bank, Ltd.	Tokyo	¥25,954	100%	100%	100%	100%	
Rakuten Edy, Inc.	Tokyo	¥1,840	85.0%	85.0%	100%	100%	
Rakuten Life Insurance Co., Ltd.	Tokyo	¥2,500	100%	100%	100%	100%	(Note 1)
Dot Commodity, Inc.	Tokyo	—	97.1%	94.8%	—	—	(Note 4)
Others Segment:							
Fusion Communications Corporation	Tokyo	¥2,026	54.8%	55.0%	55.0%	55.0%	(Note 2)
Rakuten Baseball, Inc.	Miyagi	¥400	100%	100%	100%	100%	
VIBER MEDIA LTD.	Cyprus	71 thousand U.S. dollars	—	—	100%	100%	(Note 10)

(Notes) 1 AIRIO Life Insurance Co., Ltd. was renamed Rakuten Life Insurance Co., Ltd. on April 1, 2013.

2 The discrepancy between the voting rights ratio and ownership of Fusion Communications Corporation

is due primarily to the fact that Fusion Communications Corporation has issued preferred shares.

3 The discrepancy between the voting rights ratio and ownership of Kenko.com, Inc. is due primarily to the fact that Kenko.com, Inc. holds treasury stock.

4 The discrepancy between the voting rights ratio and ownership of Dot Commodity, Inc. is due primarily to the fact that Dot Commodity, Inc. holds treasury stock. In addition, on July 1, 2014, an absorption-type merger between Rakuten Securities, Inc. and Dot Commodity, Inc. was conducted, with the former being the surviving company and the latter the dissolved company.

5 Rakuten Kobo Inc. changed its name from Kobo Inc. on July 1, 2014.

6 LinkShare Corporation was renamed RAKUTEN MARKETING LLC on July 31, 2014.

7 Buy.com Inc. was renamed RAKUTEN COMMERCE LLC on July 31, 2014.

8 On April 1, 2014, an absorption-type merger was carried out with the Company being the surviving company and Rakuten Travel, Inc., the dissolved company.

9 On July 1, 2014, an absorption-type merger was carried out with the Company being the surviving company and Rakuten Logistics, Inc., the dissolved company.

10 Ebates Inc. and VIBER MEDIA LTD. have became consolidated subsidiaries of the Company from the year ended December 31, 2014.

(2) Changes in Ownership

For the year ended December 31, 2013

In February 2013, with the approval of the French authorities, Rakuten Europe S.a r.l., a wholly owned subsidiary of the Company, acquired 41.2% of shares in Alpha Direct Services S.A.S., a French logistics company, as well as the entire shares of Direct Technology Solutions S.A.S. which held 58.8% of the shares in Alpha Direct Services S.A.S., making Alpha Direct Services S.A.S. a wholly owned subsidiary.

In September 2013, Rakuten USA, Inc., a wholly owned subsidiary of the Company, made VIKI, Inc. its wholly owned subsidiary through the merger of VIKI with another wholly owned subsidiary that had been established for the purpose of this merger.

For the year ended December 31, 2014

The Group Companies acquired control over VIBER MEDIA LTD. on March 11, 2014 and Ebates Inc. on October 9, 2014, making them subsidiaries. The transactions associated with these acquisitions are described in Note 44. Business Combinations.

46. Structured Entities

Consolidated Structured Entities

The Group Companies consolidate certain structured entities as trusts for securitizing receivables.

These trusts for securitization and other funds are structured entities, which have been designed so that voting or similar rights are not the dominant factor in deciding who controls these entities.

The Group Companies have the right to direct the investment or servicing activities of these structured entities. In addition, the Group Companies, by holding subordinated beneficial interests collateralized by entrusted assets, will be exposed to variability of investment returns. Accordingly, it is determined that the Group Companies have control over these structured entities.

In accordance with the contractual arrangements with the structured entities, use of assets and settlement of liabilities of these consolidated structured entities are restricted to the purposes for which they are structured.

The carrying amounts of assets and liabilities of the consolidated structured entities are as follows:

Carrying amounts of assets and liabilities of the consolidated structured entities

	Millions of Yen		Thousands of U.S. Dollars
	December 31, 2013	December 31, 2014	December 31, 2014
Assets			
Loans for credit card business	¥27,200	¥28,832	$240,347
Others	551	1,280	10,670
Total assets	27,751	30,112	251,017
Liabilities			
Bonds and borrowings	11,000	11,000	91,697
Others	—	125	1,042
Total liabilities	11,000	11,125	92,739

Unconsolidated Structured Entities

The Group Companies engage in investment activities involving structured entities as part of their banking business and other businesses. These structured entities handle securitized products that are set up by third parties and collateralized assets including various real estates, monetary claims such as auto loans and consumer loans, credit derivatives, and other bonds. The Group Companies have interests in these structured entities as a result of holding bonds issued by such entities and through trust beneficiary interests. The risks of these products are managed regularly on an individual basis under the group management regulations for the banking business and other businesses, for early recognition and mitigation of the risk of default resulting from deterioration of the debtors' financial conditions and other factors.

Additionally, the Group Companies set up investment trust funds that are provided to meet the needs of investors as part of their investment management business. However, the Group Companies do not hold interests in such investment trust funds. Certain subsidiaries that are not categorized as investment management business provide investment trust services, but the Group Companies do not hold interests in such trusts.

The Group Companies do not provide any guarantee or commitment to these structured entities. As a result, the maximum exposure to loss associated with the Group Companies' interests in these unconsolidated structured entities is limited to the carrying amount of the investments in bonds and trust beneficiary interests held therein. The maximum exposure to loss represents the potential maximum loss the Group Companies could incur and does not reflect the likelihood of such a loss being incurred.

The following table shows the summary of the Group Companies' maximum exposure to loss from its interests in these structured entities by class of asset held therein.

Carrying amount of unconsolidated structured entities and maximum exposure to loss from interests in such entities

		Millions of Yen		Thousands of U.S. Dollars
Consolidated statements of financial position	Class of asset held by structured entities	December 31, 2013	December 31, 2014	December 31, 2014
Investment securities for banking business	Securitization products set up by third parties			
	Public and corporate bonds	¥9,500	¥2,500	$20,840
	Real estates	1,597	—	—
	Monetary claims for individual customers	31,150	23,502	195,915
	Others	516	3,520	29,343
Others		—	1,400	11,671
Total		42,763	30,922	257,769

47. Subsequent Events

Acquisition of shares of Lyft, Inc.

The Company, at its Extraordinary Board of Directors Meeting held on March 11, 2015, resolved to acquire the shares of Lyft, Inc. through its subsidiary, and concluded a new share purchase agreement. Said shares will be purchased for 300 million U.S. dollars, which is likely to result in an 11.9% stake in Lyft, Inc. by the Group Companies.

Acquisition of shares of OverDrive Holdings, Inc.

The Company, at its Ordinary Board of Directors Meeting held on March 19, 2015, resolved to acquire all issued shares of OverDrive Holdings, Inc., an operator of an e-book and audio content marketplace business, to make it a wholly owned subsidiary, and concluded a share purchase agreement. Said shares will be purchased for 410 million U.S. dollars.

In addition, the activation of the contracts must satisfy the requirements of the competition and antitrust laws in the U.S. on a timely basis.

48. Classification of Current and Non-current

As of December 31, 2013

(Millions of Yen)

	Collection or settlement period		Total
	12 months or less	Over 12 months	
Assets			
Cash and cash equivalents	¥384,008	¥—	¥384,008
Accounts receivable — trade	72,197	1,246	73,443
Financial assets for securities business	1,218,863	124	1,218,987
Loans for credit card business	403,188	141,126	544,314
Investment securities for banking business	114,768	83,129	197,897
Loans for banking business	3,497	236,321	239,818
Investment securities for insurance business	2,512	7,721	10,233
Derivative assets	8,679	3,909	12,588
Investment securities	1,852	32,173	34,025
Other financial assets	149,241	9,817	159,058
Investments in associates and joint ventures	—	8,189	8,189
Property, plant and equipment	—	30,408	30,408
Intangible assets	—	235,881	235,881
Deferred tax assets	—	31,594	31,594
Other assets	25,406	3,959	29,365
Total assets	2,384,211	825,597	3,209,808
Liabilities			
Accounts payable — trade	115,357	—	115,357
Deposits for banking business	829,604	130,356	959,960
Financial liabilities for securities business	1,077,971	—	1,077,971
Derivative liabilities	6,546	1,477	8,023
Bonds and borrowings	263,455	126,228	389,683
Other financial liabilities	220,939	5,832	226,771
Income taxes payable	30,191	—	30,191
Provisions	36,944	4,076	41,020
Policy reserves and others for insurance business	—	18,852	18,852
Deferred tax liabilities	—	9,123	9,123
Other liabilities	25,816	587	26,403
Total liabilities	2,606,823	296,531	2,903,354

As of December 31, 2014

(Millions of Yen)

	Collection or settlement period		Total
	12 months or less	Over 12 months	
Assets			
Cash and cash equivalents	¥428,635	¥—	¥428,635
Accounts receivable — trade	88,042	829	88,871
Financial assets for securities business	1,110,788	100	1,110,888
Loans for credit card business	482,267	210,619	692,886
Investment securities for banking business	118,919	103,378	222,297
Loans for banking business	13,653	308,224	321,877
Investment securities for insurance business	268	11,937	12,205
Derivative assets	9,197	4,730	13,927
Investment securities	6,465	44,041	50,506
Other financial assets	124,781	19,502	144,283
Investments in associates and joint ventures	—	8,932	8,932
Property, plant and equipment	—	34,811	34,811
Intangible assets	—	490,679	490,679
Deferred tax assets	—	35,006	35,006
Other assets	20,762	4,130	24,892
Total assets	2,403,777	1,276,918	3,680,695
Liabilities			
Accounts payable — trade	137,042	—	137,042
Deposits for banking business	958,461	178,734	1,137,195
Financial liabilities for securities business	995,141	—	995,141
Derivative liabilities	10,270	1,499	11,769
Bonds and borrowings	261,371	328,556	589,927
Other financial liabilities	221,335	21,281	242,616
Income taxes payable	27,129	—	27,129
Provisions	42,037	1,932	43,969
Policy reserves and others for insurance business	—	19,847	19,847
Deferred tax liabilities	—	12,437	12,437
Other liabilities	34,802	735	35,537
Total liabilities	2,687,588	565,021	3,252,609

(Thousands of U.S. Dollars)

	Collection or settlement period		Total
	12 months or less	Over 12 months	
Assets			
Cash and cash equivalents	$3,573,149	$—	$3,573,149
Accounts receivable — trade	733,928	6,911	740,839
Financial assets for securities business	9,259,653	834	9,260,487
Loans for credit card business	4,020,232	1,755,743	5,775,975
Investment securities for banking business	991,322	861,771	1,853,093
Loans for banking business	113,813	2,569,390	2,683,203
Investment securities for insurance business	2,234	99,508	101,742
Derivative assets	76,667	39,430	116,097
Investment securities	53,893	367,131	421,024
Other financial assets	1,040,188	162,571	1,202,759
Investments in associates and joint ventures	—	74,458	74,458
Property, plant and equipment	—	290,188	290,188
Intangible assets	—	4,090,355	4,090,355
Deferred tax assets	—	291,814	291,814
Other assets	173,075	34,428	207,503
Total assets	20,038,154	10,644,532	30,682,686
Liabilities			
Accounts payable — trade	1,142,397	—	1,142,397
Deposits for banking business	7,989,838	1,489,947	9,479,785
Financial liabilities for securities business	8,295,607	—	8,295,607
Derivative liabilities	85,612	12,496	98,108
Bonds and borrowings	2,178,818	2,738,880	4,917,698
Other financial liabilities	1,845,073	177,401	2,022,474
Income taxes payable	226,150	—	226,150
Provisions	350,426	16,105	366,531
Policy reserves and others for insurance business	—	165,447	165,447
Deferred tax liabilities	—	103,676	103,676
Other liabilities	290,113	6,127	296,240
Total liabilities	22,404,034	4,710,079	27,114,113

(2) [Others]

Quarterly Information for the current fiscal year

(Millions of Yen, unless otherwise stated)

(Cumulative period)	1Q	2Q	3Q	Year ended December 31, 2014
Revenue	¥138,263	¥276,602	¥424,216	¥598,565
Income before income tax	22,210	43,742	71,603	104,245
Net income	16,193	23,346	42,719	71,103
Basic earnings per share (yen)	¥12.22	¥17.49	¥32.06	¥53.47

(Each quarter)	1Q	2Q	3Q	4Q
Basic earnings per share (yen)	¥12.22	¥5.28	¥14.56	¥21.40

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Independent Auditor's Report

The Board of Directors
Rakuten, Inc.

We have audited the accompanying consolidated financial statements of Rakuten, Inc. and its consolidated subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2014 and 2013, and the consolidated statements of income, comprehensive income, changes in equity, and cash flows for the years then ended and notes to consolidated financial statements, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Rakuten, Inc. and its consolidated subsidiaries as at December 31, 2014 and 2013, and their consolidated financial performance and cash flows for the years then ended in conformity with International Financial Reporting Standards.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 1 (8).

Ernst & Young ShinNihon LLC

March 27, 2015
Except for note 1 (8) as to which date is
March 31, 2015