

“Creating New Value”

Annual Report

Fiscal Year Ended December 31, 2011

楽天

Rakuten

Scaling our proven Internet-services business globally

Rakuten's business model is more comprehensive than many of our global peers. Rakuten is not an online retailer, instead, we provide a marketplace, applying our advanced systems to benefit both online customers and our merchants, resulting in gross merchandise sales (GMS) of over ¥1 trillion (US\$12.9 billion) in fiscal 2011.

In Japan, our brand recognition approaches 100%, and some 70% of online individuals have used one of our services, which extend from general e-commerce to travel, credit card, banking and other services.

We are now expanding our services via this unique business model to new markets around the world. We see 2012 as the opening year of true globalization. It means greater empowerment for all, by fulfilling more of the Internet's true potential.

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To Our Shareholders



Creating New Value around the World

In the current recessionary trend around the world, Rakuten intends to pursue growth through investing in fast-rising services and fast-growing markets. We will strengthen our dominance in Japan and, by creating a single global management platform, accelerate our expansion into new geographic markets. Our marketplace business approach is expected to bring more services to more consumers in the near term and higher returns to shareholders over the long term.

A handwritten signature in black ink that reads "Hiroshi Mikitani". The signature is fluid and cursive.

Hiroshi Mikitani
Chairman and CEO

An Interview with the CEO

“The most important point in taking this type of international expansion to a succession of countries is how quickly we can implement the Rakuten Shugi.”



Q1. How were the Rakuten Group's results for fiscal 2011?

A1. In fiscal 2011 (the 12 months ended December 31, 2011), the Rakuten Group swiftly implemented measures directed at enhancement of added value and user convenience in domestic Internet services. In domestic financial services, we restructured the segment centering on a reorganization of the credit card business and had to take an extraordinary loss as a result. But this move enabled us to put in place a solid platform for launching into a new growth stage. Overseas, the Group carried over its expansion from 2010 and sped up its pace, as well as moving forward on augmenting its marketplace business and developing technology for overseas. We also got started in the e-book business. The results of these efforts are Rakuten Ichiba annual GMS that topped the ¥1 trillion mark, accompanied by consolidated net sales of ¥379,901 million (9.8% growth from the previous fiscal year), operating income of ¥71,344 million (an 11.9% annual increase)—all record high results.

Q2. 2011 was a year of great changes for the Japanese economy. What kind of business environment did you face in the domestic market?

A2. In fiscal 2011, the Japanese economy went into a temporary stall from the effects of the Great East Japan Earthquake but then gradually picked up speed. Meanwhile, in the Internet shopping market, many residents rediscovered the necessity and convenience of the Internet. In the aftermath of the earthquake, the Tohoku and Kanto regions saw shortages at physical stores, so many consumers purchased daily consumables like rice and water through the Internet. This started a trend that continues to today of users who are not accustomed to Internet shopping becoming repeat purchasers as a result of its convenience. In addition, the worldwide spread of smartphones has created an environment in which goods can be purchased on the Internet anywhere and anytime, which has been a positive force for our Group. Due to these reasons, I believe that the shift in consumer purchasing behavior from real stores to the Internet will continue its upward trend.

Q3. What is your next target for Rakuten Ichiba's GMS?

A3. Rakuten Ichiba has shown rapid growth since our founding. We now stand shoulder to shoulder in size with the large department stores. But we aren't finished yet. We have raised our target for annual GMS to ¥10 trillion. Today, the total retail market accounts for roughly ¥174 trillion, according to the Ministry of Economy, Trade and Industry. This means that we have grabbed only a 0.5% share of the total retail market in Japan. In the future, e-commerce will evolve from all angles, including the purchasing process, product lineup and logistics. As the market grows, prices will fall and shipping fees too. And a dedicated logistics platform may also come into place. To have their "we need it now" demand taken care of, households could shift a large part of their spending to e-commerce. We intend to set out diverse strategies in our quest for the ¥10 trillion milestone.

Q4. In just a few years, Rakuten has moved rapidly into overseas markets. What will you turn your attention to in order to ensure that Rakuten's business techniques are firmly in place in a number of countries?

A4. The Group's overseas expansion started out with our e-commerce business moving into Taiwan in 2008 and Thailand in 2009, followed by the U.S. and France in 2010. Then in 2011 we acquired Tradoria in Germany, Play.com in the UK, and Ikeda in Brazil and made these leading local e-commerce operators into subsidiaries. We also opened the Rakuten Belanja Online Internet shopping mall in Indonesia.

We are prioritizing implanting the same B2B2C (business-to-business-to-consumer) marketplace model as Rakuten Ichiba in all of these acquired businesses. Companies like Buy.com and Play.com who follow a direct-sales model of selling goods out of their own inventories are changing their model to the same marketplace model of Rakuten Ichiba. Naturally, we are also rolling out a variety of measures to support our merchants in the same way we do here in Japan at Rakuten Ichiba. We will add to this by introducing our most effective marketing tool, the Rakuten Super Points program, in each country. From our experience in Taiwan and Thailand, we have learned that introducing points programs boosts customers' purchases.

The most important point in taking our international expansion to a succession of countries is how quickly we can share the philosophy we call Rakuten Shugi (Rakuten basic principles). These steps will not be limited to thorough sharing of KPI management and know-how by the business segments; they will extend to nurturing a corporate culture that allows the formation of highly agile teams capable of achieving their goals.

“In January 2012, we completed the acquisition of Kobo Inc., a company that deals in e-book readers and content, an essential growth area.”



Q5. Could you tell us about your entry into the e-book business?

A5. We had thought that we must enter the e-book business with its high worldwide growth potential. In January 2012, we completed the acquisition of Kobo Inc., a company that deals in e-book readers and content. Kobo has taken its business into a dozen countries in North America, Europe, and Oceania and offers e-book content in over 100 countries. We have plans to enter Japan’s e-book market in 2012. Kobo is constructing a leading edge e-book business model that includes installation of their own social network feature and support for a wide range of devices and languages. In addition, Kobo is building win-win alliances with major retailers and book stores in numerous locales. Since their business concept and direction are remarkably similar to Rakuten’s, they will be a new arrow in our quiver for extending our worldwide expansion. On top of this, there are certain countries we wish to enter with e-books faster than with e-commerce. This is significant in that we foresee a role for Kobo as a trailblazer for some countries.



Q6. What major initiatives does Rakuten have in mind for 2012?

A6. The Rakuten Group in 2012 will take on the following initiatives that emphasize the strengthening of our dominance in Japan and putting a global management platform in place.

1. Strengthen Dominance in Japan

Internet innovation and the Internet revolution will move forward in 2012, even if the global economy stays challenging. So we need to strengthen our presence in Japan. We have the largest market share in the major business verticals of e-commerce, travel, online banking, etc.

2. Create Single Management Platform Globally

To make more progress in our globalization project, we need to change the way we think. To do so, we need to create a single management platform globally. Irrespective of our

Englishnization success, global management is a little bit segregated, so in 2012 we would like to encourage more communication amongst our global management to share best practices. We will create a new corporate governance structure with regional headquarters and openly discuss matters within our global management team.

2011 was the completion year for the first step of the global Rakuten Group. 2012 will be the opening year for our true globalization.

Q7. What is Rakuten's outlook for 2012?

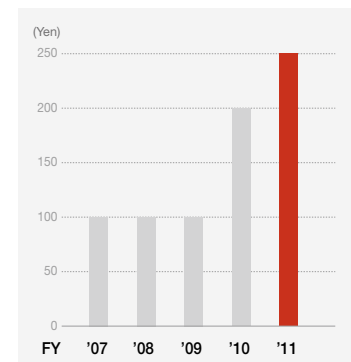
A7. In the year ending December 31, 2012, we anticipate further expansion in the use of our services in Japan including e-commerce and travel, resulting in continued high growth. In financial services, we expect the unsettled market conditions to persist, but nevertheless anticipate sustained earnings growth created from synergies within the Rakuten Group. We will also continue to make strategic allocations of resources and active investments in high-growth areas such as e-books in order to open up more mid- and long-term earnings opportunities. While making these advance investments, Rakuten intends to surpass the financial results of 2011.

In addition to our activities in the rapidly changing environment of Internet-related business in Japan and overseas, Rakuten, Inc. and our group companies are also involved in the securities business and other finance-related business activities, with the result that business performance is affected by financial market trends and other factors. This precludes us from making earnings forecasts.

Q8. Could you explain Rakuten's policy on shareholder returns?

A8. Our basic policy on returns to shareholders reflects our commitment to the maximization of shareholder value. Healthy growth in income is a core management priority for the Rakuten Group, and we continually strive to maximize business performance and strengthen our financial fundamentals. For this reason, our policy to maintain stable dividends runs alongside our desire to retain sufficient income to build the reserves needed to develop our operations and maintain a sound financial structure. On this basis, we have sought to maintain stable dividends. In keeping with this basic policy, we paid a dividend of ¥250 per share for fiscal 2011 (versus a dividend of ¥200 per share for fiscal 2010).

Dividend per Share



Rakuten Ichiba Empowering Merchants



Rakuten Ichiba started its life 15 years ago, conceived not as a place for Internet-savvy users to do business, but rather as a place where business people can make use of the Internet to market their goods.

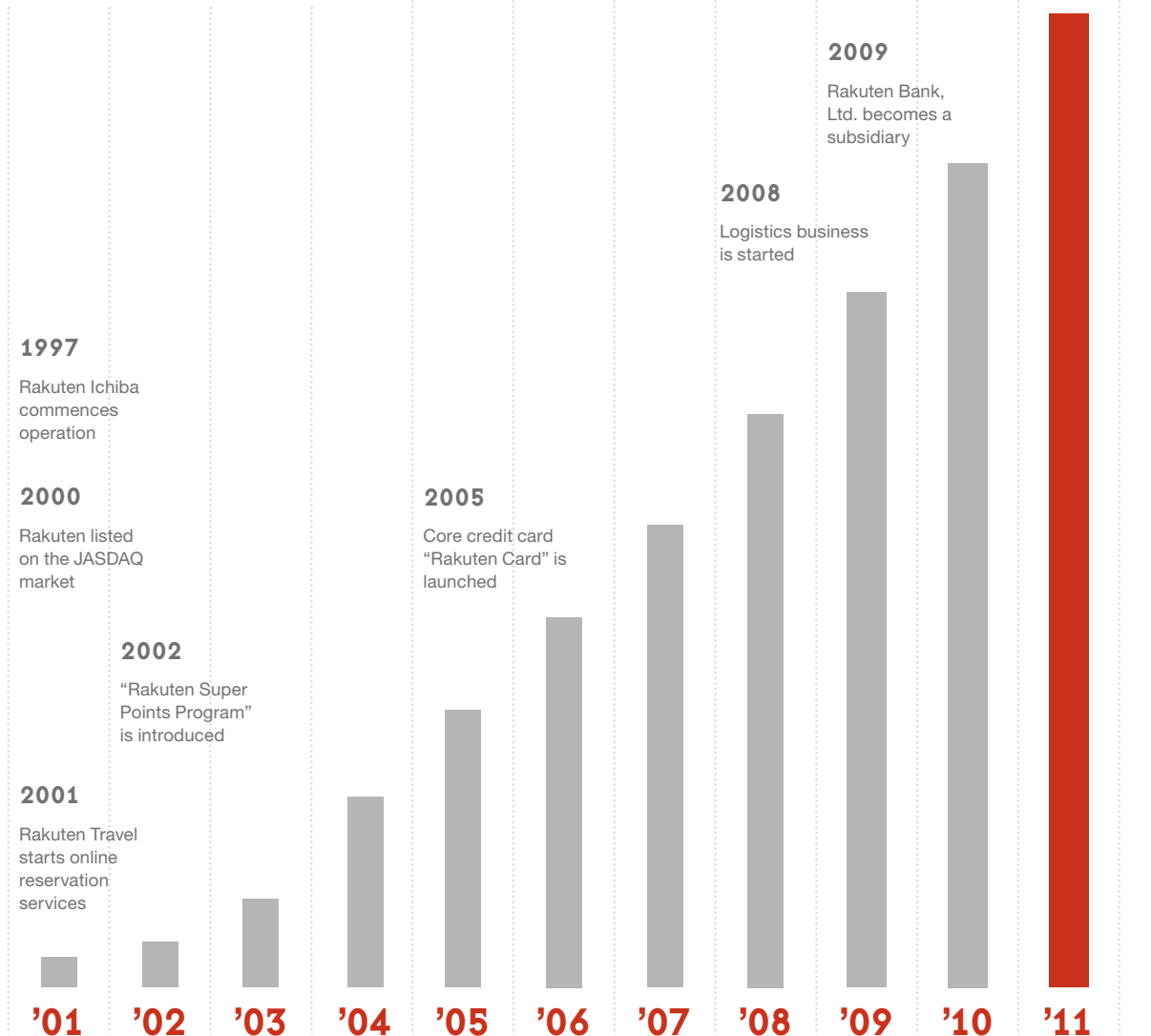
Ever since, Rakuten and its honored group of merchants have been clearing the way for the Japanese e-commerce market, culminating in the recent surpassing of the ¥1 trillion mark in GMS.

The Concept behind Rakuten Ichiba



Rakuten Ichiba has a rich user experience produced by the pleasure of buying products at a variety of shops, each with its own features. Shopping itself has traditionally been a form of entertainment; yet this entertainment aspect is not found at other e-commerce sites, which tend to be product-centric, employing a passive model. Rakuten Ichiba, in contrast, has transported a bustling shopping district onto the Internet, where merchants design their own sites and give users a pleasurable experience by communicating with them through e-mail and social media. These features give our site a more captivating charm than other e-commerce sites. In fact, in one 24-hour period, during the Rakuten Super Sale on March 4, 2012, the site recorded GMS of ¥13 billion. This is a clear example of Rakuten and our merchants reaping synergistic effects through a festival-like shopping event. Rakuten focuses on a B2B2C marketplace model, and with a few exceptions like books, Rakuten does not do direct sales of its own goods. Other e-commerce companies will make direct sales of the same products that are sold by their listed merchants, creating a conflict of interest. This does not happen at all at Rakuten, where participating merchants have no limits placed on their direct access to customers. This is Rakuten, the Empowerment Company.

GMS of Rakuten Ichiba and Books



Empowering Merchants

E-Commerce Consultants (ECC): Rakuten boasts a set of 500 or so e-commerce consultants to support its merchants at 15 branches across Japan. Their mission is simple: sales growth at more than 38,000 listed merchants. This mission goes beyond simply sharing goals with assigned merchants and puts the merchants and the consultants squarely in the business of solving problems together. Consultants advise merchants on best practices and also share marketing strategies designed by consultants who are e-commerce experts in that product genre.

Merchant Recruitment and Support

Rakuten University: Seminars are held under the name of "Rakuten University," where instruction revolves around case studies that allow attendees to learn numerous lessons from both success stories and failures. Merchants that have attended Rakuten University have seen a more than tripling of net sales per merchant compared to those not attending. A total of 17 courses ranging from the fundamentals of customer service for Internet users to business operations are offered. We plan to increase the number of attending merchants and provide even better quality customer service.

Rakuten Ichiba Entertaining Consumers



Entertaining Consumers

Rakuten members: Rakuten runs a wide set of initiatives to enliven shopping on Rakuten Ichiba. One example is member status. Members can have their status lifted to silver, gold, or platinum depending on frequency of purchases and accumulated points. The number of members with preferred status of silver or higher has been climbing every year. We are also cultivating high-loyalty, gold and platinum members who benefit from such privileges as invitations to exclusive sales.

Rakuten Super Points: The most popular rewards program in Japan is Rakuten Super Points, which normally rewards each 100 yen of purchases with 1 point. Points can then be spent at 1 yen = 1 point, not only for future purchases but also for other Rakuten services like travel bookings and even banking services.

Also, since Rakuten card members are rewarded 1% of their total card payment additionally in points, members of Rakuten Ichiba who have become Rakuten Card members have significantly increased their purchase value on Rakuten Ichiba. In this way, Rakuten Card has been a big help in raising user loyalty.

Product lineup and price: Rakuten Ichiba offers products from well-known companies and also local specialty merchants. This rich variety of offerings makes Rakuten Ichiba a shopping mall with a “long tail”. At the end of fiscal 2011, roughly 90 million SKUs (Stock Keeping Units) were listed. Many of them have lower prices than other big e-commerce sites (according to our internal surveys). We will enhance our product line-up by acquiring large-scale (or large) merchants.

Examples of large-sized merchants on Rakuten Ichiba (as of April 2012)

Department stores/Supermarkets; Takashimaya, MARUI, SEIYU

Apparel; WORLD, FOREVER21, adidas, ABC-MART

Consumer electronics; edion, BIC CAMERA, HP, Dell, lenovo, Sony, TOSHIBA, Panasonic

Home goods; TOKYU HANDS, Shell, DHC

New Challenges in 2012



Masato Takahashi
Senior Executive Officer,
Rakuten Ichiba Business

Rakuten Ichiba surpassed ¥1 trillion in GMS for 2011 to establish a commanding position with over 25% share of the Japanese B2C e-commerce market. Rakuten Ichiba's next long-term goal is ¥10 trillion in GMS, and we have embarked on the paths below to reach this goal.

1

Strengthening our relationship with loyal customers

Japan has about 95 million Internet users. Rakuten members number roughly 75 million, and 11.72 million of these users made at least one purchase on Rakuten Ichiba each quarter (data from the fourth quarter of 2011). By attracting new users and leveraging existing ones, we can cultivate this market even further. Private sales for preferred status members were a big hit during the year and helped raise frequency of purchases and purchase value. In 2012, we will develop more high-loyalty customers through more fine-grained analysis of customer segmentation.

2



Augmenting our smartphone and tablet solutions

The spread of smartphones has moved at a blazing pace and we are likely to see a switch in dominance from feature phones to smartphones in the near future. Rakuten Ichiba is seeing rapid growth in GMS transacted through smartphones. Statistics show that smartphone users have higher purchase value per person than do traditional feature phone users and that customers who begin using a smartphone in combination with a PC or tablet computer will increase their purchase value. For these reasons, we will enrich our services for smartphones and tablet devices in 2012.

3

Improving delivery service

The "Asuraku" next day delivery service experienced major growth in usage during 2011. Meanwhile, people started to rely more on e-commerce after the Great East Japan Earthquake, and became aware of Rakuten Ichiba's role in the community as a quick and reliable supplier of daily consumables like rice and water. During the year, we also improved Rakuten logistics services as a means to support deliveries by listed merchants. While e-commerce steadily increases in popularity, Rakuten is making a solid effort to expand our services and product line-up, particularly in areas like food.

Worldwide Expansion



Reaching Our Potential

With a Global Business Platform

The Rakuten group is accelerating overseas growth, taking know-how from each country and building synergy under global management best practices—all to become the No.1 Internet services business in the world.



Pierre Kosciusko-Morizet
CEO, PriceMinister S.A.S.

Rakuten Shugi as a single flag for different European cultures

Europe's consumer life is becoming more and more centered around the digital economy. But Europe has many distinct local cultural habits, languages, taxes and legal environments, which we have to accommodate. The confidence in e-businesses, delivery systems and payment preferences also varies widely across Europe. I think that one single Rakuten brand and some shared principles, like Rakuten Shugi, will help the Rakuten Group to build a truly No. 1 e-commerce group in Europe. When we apply the Rakuten vision of "Empowerment" everywhere in Europe, it will powerfully unify Rakuten, our merchants and consumers under the same Rakuten red and white win-win flag.



Yuichi Ejiri
President, Taiwan Rakuten Ichiba Inc.

Taiwan Rakuten Ichiba developing high quality services

Taiwan Rakuten Ichiba, our first overseas e-commerce venture, has outstripped its competitors since its launch in 2008, and seized the No.1 position in the Taiwan e-commerce marketplace. It is fully utilizing the business resources of its parent companies Rakuten, and President Chain Store Corp, to build a unique, unrivalled Rakuten ecosystem in Taiwan. Fans on its Facebook site have grown into one of the largest in the Rakuten Group. We also have links between Taiwan Rakuten Ichiba and Rakuten Ichiba in Japan and promote cross-border shopping experience in both countries.



Neel Grover
CEO and President, Buy.com Inc.

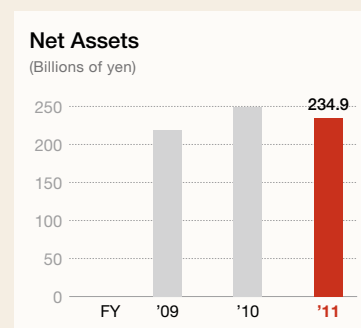
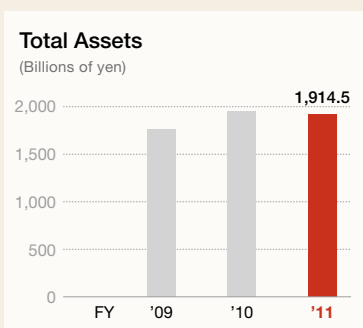
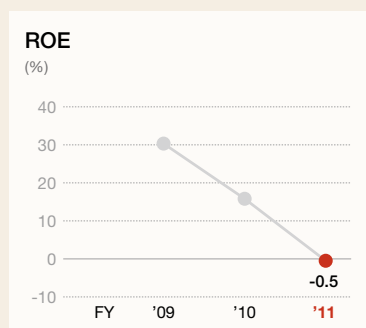
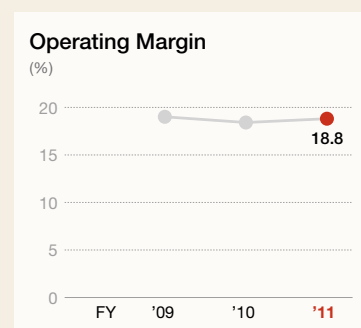
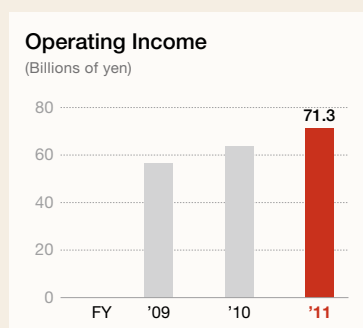
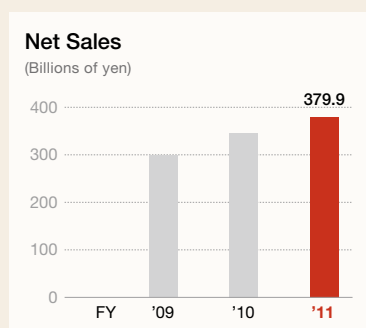
Buy.com significantly opening up its Marketplace

Buy.com provides merchants in North America with the best online marketplace solution, and customers with the best value for the widest selection of retail goods. We have significantly opened up our Marketplace to sellers of all sizes, giving us much broader product coverage, to become the one-stop online destination in the U.S., with highly sophisticated social shopping experiences. Further, we have begun a “white label” offering with large traffic sites (major retailers and portals), allowing Buy.com to power their web sites and to sell SKUs from the Buy.com Marketplace. This will make Buy.com a key integration component for other merchants to sell on any other major Marketplace in the U.S.

Financial Highlights

| Fiscal Year | Millions of yen | | | Thousands of U.S. dollars |
|--|-----------------|------------|------------|---------------------------|
| | 2009 | 2010 | 2011 | 2011 |
| Income and Loss | | | | |
| Net sales | ¥ 298,252 | ¥ 346,144 | ¥ 379,901 | \$4,886,811 |
| Operating income | 56,649 | 63,766 | 71,344 | 917,724 |
| Net income (loss) | 53,564 | 34,956 | (1,140) | (14,659) |
| Cash Flows | | | | |
| Net cash provided by (used in) operating activities | ¥ (55,219) | ¥ 30,305 | ¥ 27,586 | \$ 354,849 |
| Net cash provided by (used in) investment activities | 217,160 | (60,538) | 56,351 | 724,871 |
| Net cash (used in) provided by financing activities | (174,157) | 27,609 | (34,648) | (445,695) |
| Assets and Liabilities | | | | |
| Total assets | ¥1,759,237 | ¥1,949,517 | ¥1,914,561 | \$24,627,752 |
| Total liabilities | 1,540,617 | 1,700,283 | 1,679,576 | 21,605,040 |
| Total net assets | 218,620 | 249,234 | 234,986 | 3,022,712 |
| Per Share (in yen and U.S. dollars) | | | | |
| Total net assets | ¥15,527.21 | ¥18,160.62 | ¥17,390.59 | \$223.7 |
| Net income (loss) | | | | |
| Basic | 4,092.17 | 2,666.28 | (86.80) | (1.11) |
| Diluted | 4,077.62 | 2,657.43 | — | — |
| Dividend | 100.00 | 200.00 | 250.00 | 3.21 |

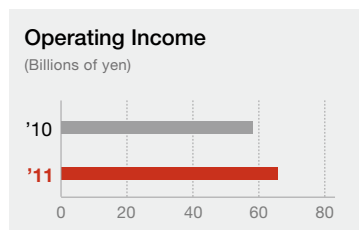
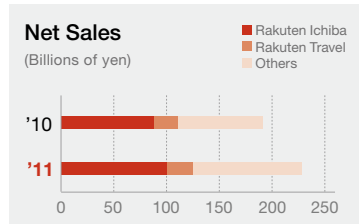
Notes: U.S. dollar figures have been translated from yen, for convenience only, at the rate of ¥77.74 to US\$1, the approximate rate of exchange at December 31, 2011.



Review of Operations

Internet Services

Rakuten Ichiba, Travel Business, Other Domestic Internet Services, Overseas Businesses



During fiscal 2011, we made an aggressive rollout on Rakuten Ichiba of services for smartphones, enriched its set of listed stores, and made improvements in logistics service. Together with strong marketing efforts, these actions led to another high-growth year in domestic e-commerce GMS with a 16.4% year-on-year surge. We also undertook an aggressive expansion in the international marketplace, including the construction and opening of an Internet shopping mall in Indonesia together with turning e-commerce operators in Brazil, Germany, and the U.K. into consolidated subsidiaries and the decision to add a Canadian e-book operator as a subsidiary. Thanks to a fruitful marketing strategy to spur demand, the travel business showed solid growth in gross booking transaction volume (GTV).

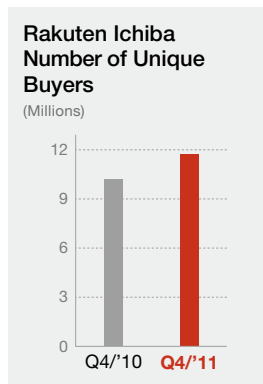
These good showings yielded overall Internet Services segment results of ¥228,568 million in net sales, a 19.8% increase from the previous fiscal year, and ¥65,783 million in segment operating income, a 13.2% year-on-year increase.

Rakuten Ichiba Solid Growth in Unique Buyers

Unique buyers of Rakuten Ichiba (buyers who made any purchase during the quarter) grew solidly in fiscal 2011, reaching 15.1% year-on-year growth in the fourth quarter to over 11.72 million buyers. There are over 75 million Rakuten members today, and indications show that the number of active buyers among them is expanding steadily.

While the Japanese e-commerce market achieved 11.4% annual growth in 2011*, Rakuten Ichiba (Rakuten Books included) turned in even higher growth with a 17.1% year-on-year increase in GMS, resulting in a 29.9% market share.

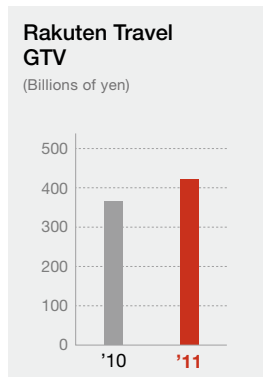
* Data from Fuji-Keizai Research



Rakuten Travel Strong Trend in Gross Booking Transaction Value

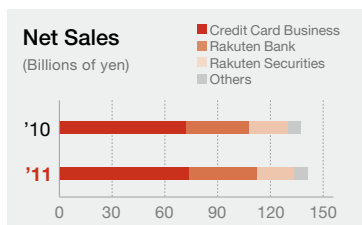
Rakuten Travel, one of Japan's largest travel companies, with more than 25,000 registered accommodations, stands apart from its competitors through its use of Rakuten Super Points and practical smartphone applications. With the growing popularity of Dynamic Packages, which allows travelers to search and reserve

airplane tickets, accommodations, and rental cars in a single package, GTV (before cancellation) rose a solid 14.9% over the previous year. Aiming to become Asia's top travel site, Rakuten Travel is developing a richer lineup of services in Japan, leveraging its 15 overseas locations centering on Asia (December 31, 2011).

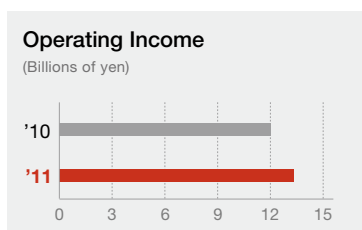


Internet Finance

Credit Card Business, Banking Business, Securities Business, E-money Business and others



In credit-related services, we had a solid increase in Rakuten Card membership applications, leading to large growth in shopping transaction volume and revolving shopping balances as of December 2011. In the banking business, an effective marketing campaign aimed at Rakuten members increased personal loan balances and helped lift the bank to a strong increase in earnings. In the securities business, we achieved top industry status in new accounts for 2011 and increased the number of comprehensive accounts by 17.5% over the previous fiscal year. It managed to remain firmly in the black, despite weak trading commissions and a bearish mood in the stock market.

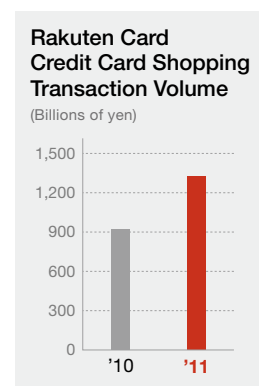


Overall, the Internet Finance segment had 2.9% growth in net sales to ¥141,161 million compared to the previous fiscal year, while segment operating income grew 10.9% year on year to ¥13,326 million after recording a ¥4,264 million provision as a result of recalculation of interest repayments.

Rakuten Card Reorganization of Credit Card Business

The Internet Finance business capitalizes on synergies within the Rakuten Group to realize steady growth. In August 2011, we reorganized the credit card business in order to concentrate corporate resources on Rakuten Card, a core business. The Rakuten Card-related business of the former Rakuten KC Co., Ltd., a Rakuten consolidated subsidiary, was transferred to the former Rakuten Credit Co., Ltd.,

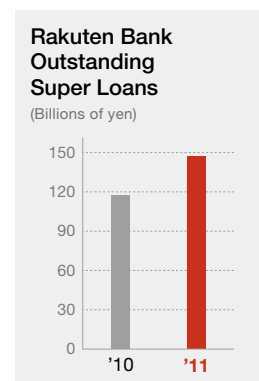
another Rakuten consolidated subsidiary, and renamed Rakuten Card Co., Ltd. We also sold our shareholdings in Rakuten KC, which runs the remaining businesses not related to Rakuten Card. Rakuten Card is highly valued by its cardholders for Rakuten Super Points Program linkage. As a result, the Rakuten Card shopping transaction volume grew by 44.4% year on year.



Rakuten Bank High-Risk Assets Eliminated, Now Fully in Growth Orbit

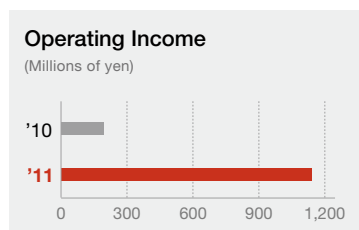
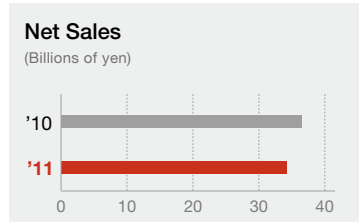
In 2011, Rakuten Bank disposed of its remaining high-risk assets, especially commercial mortgage-backed securities (CMBS) held prior to its acquisition by Rakuten, and has reinforced its structure for producing reliable profits. Meanwhile, Rakuten Bank concentrated its efforts on programs to create synergies within the Group, such as launching the Money Bridge

service to link accounts with Rakuten Securities and marketing campaigns aimed at Rakuten Ichiba members. These initiatives brought about 6.9% annual growth in the number of accounts to 3.91 million, and high 25.0% growth to ¥146.8 billion for the loan receivables balance of Rakuten Bank Super Loans, a personal loan program.



Others

Telecommunications Business, Professional Sports and others



In the telecommunications business, we achieved growth in new subscribers in its Internet service provider business, although harsh conditions in IP telephony caused net sales to continue on a downward slope. By also making headway on reducing fixed costs and through retroactive settlements of interconnection fees with other carriers, the segment was able to achieve record-high operating income. In the professional sports business, The Tohoku Rakuten Golden Eagles professional baseball team had good corporate sales to sponsors and for broadcast rights, while home-game attendance grew despite the impact of the Great East Japan Earthquake, leading to an overall growth in net sales.

As a result of these factors, the Others Segment's results consisted of a 6.3% decline in net sales to ¥34,175 million and a 489.6% rise in segment operating income to ¥1,142 million.

Telecommunications

Favorable Results from Internet Connections and New Services

In 2011, the telecommunications business turned its attention to attracting new subscribers to the Rakuten Broadband Internet connection service.

In another newly launched service, we started offering the Fusion Connect cloud telephony service that features low-cost

start-up and short system construction times. The system has already been installed at the Rakuten Ichiba call center. Not limiting itself to existing services, but seeking new growth paths, we aim to offer new services that respond to market needs in the telecommunications field.



Professional Sports

Higher Revenues in Spite of the Earthquake

In 2011, the Tohoku Rakuten Golden Eagles baseball club adopted the slogan "Gambarou Tohoku!" (We're Behind You Tohoku!) for a series of support activities created for earthquake recovery efforts (which are centered in the team's home area in east Japan). These include visits

by Eagles players and exhibition games in disaster-stricken areas as well as sales of charity goods.

Such activities brought in the Tohoku-Sendai area fans, leading to increased attendance at home games and higher revenues compared with last season.



Our Social Responsibility



Company Philosophy

The fundamental philosophy of the Rakuten Group is empowering people and society through the Internet.

What is the intrinsic value of the Internet? In a single word: Fairness. If you use the Internet, you can dramatically narrow the gaps between information and knowledge. For consumers, this means that you are able to easily choose the products and services that best fit your needs from among a multitude of options. For business owners, it means that you can instantly expand your market to all of Japan and the world at low cost, providing business opportunities that previously had been inconceivable. The Rakuten

Group wants to help all consumers and business owners take advantage of opportunities, fairly provided in various ways by the Internet.

The Rakuten Group has enjoyed healthy growth from the days of its founding, thanks to support from the broad range of consumers and businesses, alike. And it is this relationship of trust with our stakeholders that permits our sustainable growth. We sincerely endeavor to do even more.

Rakuten's CSR

Rakuten Social Responsibility Project

The Rakuten Social Responsibility Project is closely linked to the Rakuten Group's business activities. Through it, we hope to implement CSR programs that will benefit individuals and society.

Our aim is to develop this project into something that will eventually become the foundation for vital infrastructure services to society. With our belief in the social significance of continuing this project, we are carrying out initiatives around energy issues and three other priority themes.

In addition to communicating the current situation of these initiatives with every person connected to Rakuten, we aim to carry out activities that will put faces to the name Rakuten to people around the world.

<http://global.rakuten.com/csr/>



New Future

We, along with the children who will inherit our future, are responsible for preparing a positive horizon for the world to walk toward. As a corporation, Rakuten is fully committed to realizing a variety of measures to support our future.



Green Energy

Modern society is dependent upon electric power generated by fossil fuels and nuclear power. We believe that the nuclear incident in Japan has triggered a rethink of energy issues. As a corporation, Rakuten will consider implementing services aimed at promoting green energy that is both people- and environment-friendly.



Eco Operation

We are working to ensure effective use of limited resources by steadily reducing environmental loads. In response to unreliable electrical power supplies resulting from the nuclear incident we have launched Project 60 and Rakuten Smart Green Project, two initiatives to reduce power consumption. In addition to efforts made in the area of electric power, we have also taken up the "Eco Operation" challenge involving a series of corporate activities aimed at reducing wastage. We will promote these activities from the perspectives of preventing global warming, and of protecting the environment.



Company's Mission

Through our business operations to date, Rakuten has developed strong relationships with many people including service users, Rakuten shop owners, hotel owners, and municipal governments. Rakuten considers it our responsibility to provide more personal and direct forms of reconstruction support to those in need, and to continue providing our services under all kinds of situations. We aim to be a corporation that creates value to society through our main businesses.

Our Social Responsibility

Relationships with Our Stakeholders

A place to build relationships with business partners

“Helping the business partners make use of the Internet”—Having founded the company with this idea close at heart, Rakuten offers empowerment through a web of contacts with business partners. For example, we hold offline events for our Rakuten E-Commerce partners in Japan, Taiwan, U.S., Germany and other regions. At these events, we seek to create a valuable dialogue between Rakuten and its partners through such means as sharing Rakuten business strategies and awarding Shop of the Year recognition to our top merchants.



Services to reassure customers about using Rakuten

To reassure customers about using Rakuten Ichiba, we offer an Internet shopping guarantee for undelivered items to Rakuten members of up to ¥500 thousand one time per year. Rakuten Card members also have a guarantee for undelivered items without any limitation on amounts and other generous services assuring safe shopping.

Employee relations

So that all Rakuten Group employees come to work in pursuit of the same goal, we instituted ways to share our business strategy in action.

First, to make sure that our business philosophy is spread throughout the company, we have translated the Rakuten Shugi (Rakuten basic principles) and distributed it to our group companies. Now in English, Simplified Chinese and Traditional Chinese, the principles lay out Rakuten philosophy, code of conduct and how we wish to conduct our business every day.



Furthermore, as a forum for sharing information, we hold the Asa-kai, an all-hands meeting every Tuesday at 8 am (JST), as well as a semi-annual meeting for presenting the operating plan. We make absolutely sure that information and strategy are shared with all employees, who gather at 50 domestic and overseas offices for the live broadcast, regardless of their position in the company. The presentation style is one of sharing with the full body of employees and includes not only a talk by the CEO, but also presentations on strategy and results in our various businesses and reports from specialty fields like technology and marketing. To facilitate a global meeting, we moved the time from Monday morning Japan time to Tuesday morning, when the whole world has begun the workweek, and conduct it completely in English.

Diversity

At Rakuten Inc., we believe that sustainable growth can only be supported with a diverse workforce. To this end, our ratios of foreign employees, females in managerial posts, female employees and employees with disabilities are 6.8%, 14.6%, 36.5%, and 2.1%, as of December 31, 2011, respectively.



Risk Management

Information security

The Rakuten Group puts its highest priority on running a business that ensures information security, and is always strengthening its measures to achieve this.

In November 2006, Rakuten, Inc. was the first group company to be awarded ISO/IEC 27001 certification for compliance with international Information Security Management System (ISMS) standards, followed by application to the entire Rakuten Group in March 2007. Today, all 18 companies in the Rakuten Group hold ISO/IEC 27001 certification in their ongoing efforts to ensure information security.

Furthermore, seven Rakuten Group companies have been accredited with the Privacy Mark under the Japanese Industrial Standard (JIS Q 15001) “Personal information protection management systems—Requirements” for business that have established systems for appropriate protection of personal information.

Rakuten Smart Green Project

During the summer of 2011, to help fight peak-season power shortages in the wake of the March 2011 earthquake and nuclear plant accident, the government requested a cut in power consumption of 15%. In response, we launched Project 60, an initiative to cut power use per employee by 40% from the previous year and successfully implemented it at all 15 Japanese business sites. The success of this project has led to the current Rakuten Smart Green Project, which aims for a permanent cut of 40%.

The Rakuten Group consumes power through its Internet services, and as many as 100,000 partners run their businesses on Rakuten services. In consideration of the heavy social responsibility this entails, Rakuten is moving forward with energy efficiency initiatives, pursued from the viewpoint of business sustainability. The aim is to maintain reliable sources of electrical power and a healthy working environment and to tackle energy use without sacrificing productivity, while keeping on eye on the coming shift to green energy.

Contributing through Rakuten’s Services to Society

Rakuten Tasuke-Ai (Love and Aid)

With the assistance of local governments, Rakuten selected products available on Rakuten Ichiba that matched the needs of people in the disaster areas, and worked with Rakuten Ichiba merchants to supply those items ordered by Rakuten users at special non-profit prices. Relief goods purchased under this system were distributed to people in the disaster areas through local governments.

Before this campaign ended on March 31, 2012, Rakuten made 50 shipments of relief supplies to the disaster-stricken areas.

Rakuten IT School

Rakuten launched the Rakuten IT School social contribution project under the keywords “Do Something Good by Rakuten” on the occasion of the company’s 10th anniversary in 2008. The school operates in all regions of Japan for the purpose of conveying the power and potential of the Internet to students, who are posed to lead the next generation. Activities that are characteristic of the Rakuten Group, including workplace experience through industry-academic partnerships and Internet-literacy instruction to foster safe and proper use of the Internet, are sponsored by the school.

<http://global.rakuten.com/csr/education/it-school/>

Electric Power Savings Under Project 60



Overall reductions realized
42.6% (April 2011)

*1 Lighting power consumption: as of mid-April 2011

*2 Electric power consumption: as of mid-April 2011

*3 Air-conditioning: last week of July 2011



Board of Directors and Company Auditors

(As of March 30, 2012)

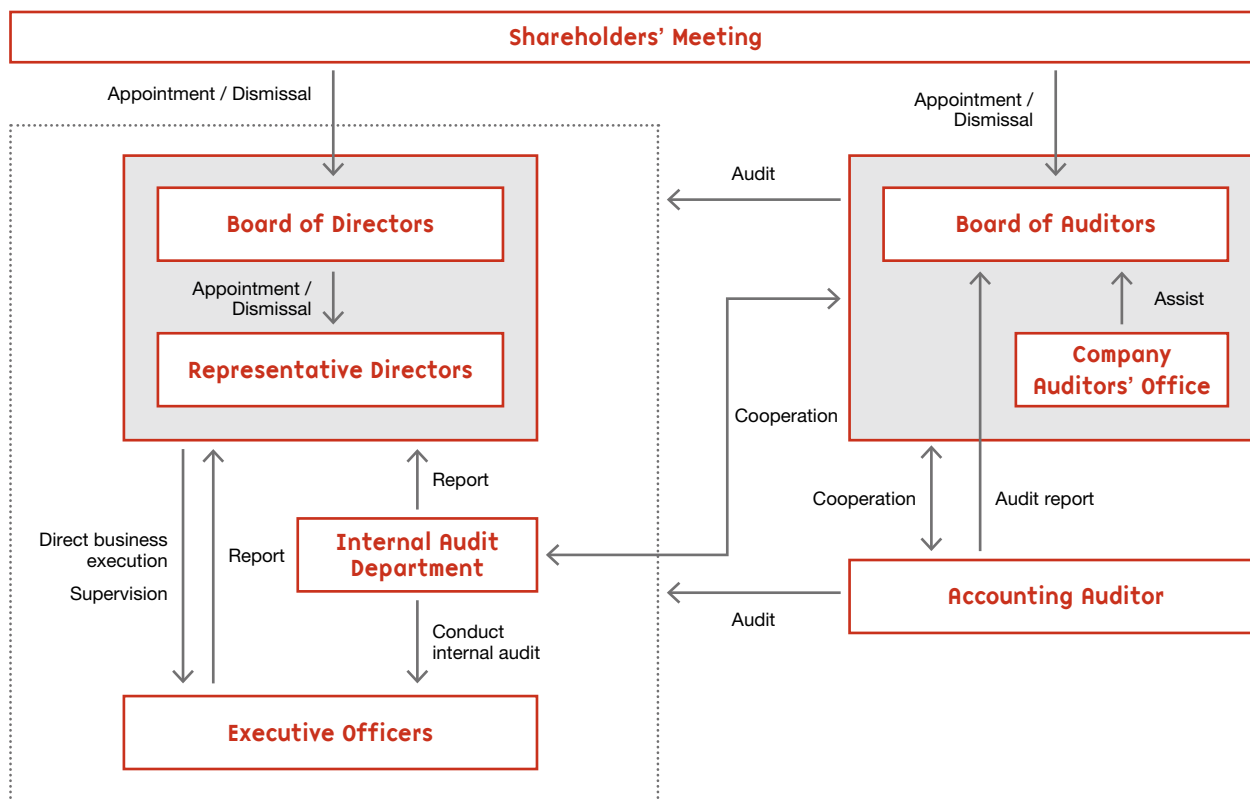
| Position | Name | Shares owned (Thousands) |
|--|--|-----------------------------|
| Chairman and CEO | Hiroshi Mikitani | 2,072 |
| Representative Director and Vice President Executive Officer | Atsushi Kunishige | 0 |
| Senior Executive Officer and Director | Masatada Kobayashi | 35 |
| Senior Executive Officer and Director | Toru Shimada | 3 |
| Senior Executive Officer and Director | Akio Sugihara | 77 |
| Senior Executive Officer and Director | Hisashi Suzuki | 3 |
| CFO, Senior Executive Officer and Director | Ken Takayama | 40 |
| Senior Executive Officer and Director | Kazunori Takeda | 3 |
| Senior Executive Officer and Director | Hiroaki Yasutake | 4 |
| Senior Executive Officer and Director | Yoshihisa Yamada | 0 |
| Director | Charles B. Baxter | — |
| Director | Koichi Kusano ^{*1} | 13 |
| Director | Ken Kutaragi ^{*1} | 0 |
| Director | Hiroshi Fukino ^{*1} | 1 |
| Director | Jun Murai ^{*1} | — |
| Director | Joshua G. James ^{*1} | — |
| Company Auditor | Tanejiyo Kunitake ^{*2,3} | 0 |
| Company Auditor | Yoshiaki Senoo ^{*2} | — |
| Company Auditor | Takeo Hirata ^{*2} | — |
| Company Auditor | Katsuyuki Yamaguchi ^{*2} | — |

*1: Outside director

*2: Outside company auditor

*3: Independent company auditor

Corporate Governance Structure



Corporate Governance

1. Basic Approach to Corporate Governance

The Rakuten Group gives top priority to effective corporate governance. The Group has implemented a range of measures to strengthen its competitiveness and maximize corporate value by maintaining effective internal control and risk management systems, with a view to realizing its goal of becoming the world's leading Internet services company.

Corporate Governance

1. Basic Structure of Corporate Governance and Reasons for Adoption

Rakuten, Inc. 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.

A Business Unit system was introduced in 2006 with the dual aims of speeding up executive processes and strengthening the supervisory functions of the Board of Directors and Company Auditors. In addition, Rakuten Inc. created a group-wide risk management structure by establishing Functional Teams to manage risk comprehensively across all Rakuten Group businesses.

2. Corporate Organization

(1) Directors, Board of Directors, Executive Officers, etc.

The Board of Directors consists of 16 Directors, including five Outside Directors. Resolutions to appoint Directors must be approved by a majority of voting rights at a General Meeting of Shareholders attended by shareholders holding at least one-third of voting rights.

In addition to regular monthly meetings, the Board of Directors holds extraordinary meetings as required. At these meetings, Directors make decisions on important management matters and supervise Executive Officers' activities. To ensure appropriate decision-making by the Board of Directors, medium- and long-term management plans, basic policies and other key strategies are first discussed at Corporate Strategy Meetings, which are held before the Board of Directors meetings and consists mainly of executives at Senior Executive Officer level and above.

Board decisions are delegated to the Executive Officers' Meeting, which consists of Executive Officers. Individual Executive Officers carry out their respective duties in accordance with these decisions. 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 Functional Teams responsible for human resources, financial management, accounting, organizational management and other management aspects across the Rakuten Group.

(2) Company Auditors and the Board of Auditors

Rakuten, Inc. has four Company Auditors, including two full-time auditors. All four are outside auditors.

A two-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 extraordinary meetings as required.

In accordance with audit policies and plans established by the Board of Auditors, the Company Auditors attend Board of Directors meetings 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 conduct on-site inspections of the Company's head office and other important business sites, and check the operations of 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.

3. Internal Control Systems

Basic internal control policies for Rakuten, Inc. 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, Rakuten has set up a hotline, the Rakuten Hotline, for reporting of compliance violations.

Directors are closely supervised in the performance of their duties by the Outside Directors and Outside Company Auditors. Attorneys have been appointed to help each of the outside directors and outside auditors verify compliance with the Articles of Incorporation and regulatory requirements from an objective perspective based on expert knowledge.

Rakuten, Inc. 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.

4. Risk Management Systems

Rakuten 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 Rakuten Group and for providing an appropriate response to such risks. Under the Group Risk Management Committee, we have established risk control sections within business units, responsible for 10 risk categories including compliance risk, information security risk, and market risk. Each section conducts regular risk assessments and related measures

through the leadership of the Risk Management Department, a group-wide department in charge of risk management. In accordance with these assessments, the Group Risk Management Committee examines policies to reinforce risk management, ensures that policies are made into concrete measures by the Risk Management Department and risk control sections, and develops and implements measures at each business unit and group company.

Rakuten, Inc., in accordance with RGR, consolidates risk information and ensures thorough and consistent application of risk management through such actions as obtaining approval from the Board of Directors for proposed business investments by each business unit that exceed a set amount, and receives reports on risks related to business execution presented at the Management Conferences held in each business unit.

Each group subsidiary has also established its own risk management system and instituted the PDCA cycle to handle company-specific risks other than group-wide risks.

Information management risk is rigorously controlled under the leadership of the Risk Management Department. Our efforts to minimize this risk factor throughout the Rakuten Group include acquisition of Information Security Management System (ISMS) certification (ISO/IEC 27001).

Internal Audits, Company Auditor Organization, Personnel and Procedures

Internal audits are conducted by the 18-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. 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 Rakuten Group by working closely with audit units in group companies.

Information about audits by Company Auditors can be found under Corporate Organization 2-(2) Company Auditors and the Board of Auditors.

Outside Directors and Outside Auditors

Rakuten's 16-member Board of Directors currently includes five Outside Directors, and all four Company Auditors are Outside Auditors. One of the Outside Directors, Mr. Koichi Kusano, is a representative partner in Nishimura & Asahi, a law firm with which Rakuten has a business relationship that includes the provision of services. An Outside Auditor, Mr. Katsuyuki Yamaguchi, is a partner in the same firm. There are no other personal, capital or business relationships or significant interests.

As described above, Rakuten appoints highly independent Outside Directors and Outside Auditors whose expertise and

objective viewpoints strengthen supervision of the Board of Directors in the 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 Outside 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. Joshua G. James and Mr. Jun Murai were each appointed for their ability to provide management with advice and recommendations based on their experience and expert knowledge. Mr. James has specialized knowledge of Internet services and a wealth of experience in management of Internet service businesses in North America; Mr. Murai has a distinguished background as an academic expert in Internet technology.

There are four Outside Auditors. Mr. Takekiyo Kunitake has wide-ranging expertise and experience, especially in the fields of business management and finance. Mr. Yoshiaki Senoo has extensive knowledge and experience relating primarily to finance, business management and compliance. Mr. Takeo Hirata brings wide-ranging expert knowledge and experience relating to sport and education. Mr. Katsuyuki Yamaguchi was selected as a person who could contribute to Rakuten'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 Outside Directors and Outside Auditors, who, if necessary, can also seek advance briefings from and consultations with the units concerned. As noted above, the Outside Auditors also actively exchange views with the Internal Audit Department and the independent auditors.

Rakuten, Inc. has signed an agreement with each of its Outside Directors and Outside Auditors under the provisions of Article 427, Paragraph 1 of the Corporate Law. 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 Corporate Law 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 Outside Director was held.
- iii. The amounts stipulated below if stock options, as defined in Article 238, Paragraph 3 of the Corporate Law, were exercised or transferred after the person was appointed as an Outside Director.

1. If the options have been exercised

An amount calculated by subtracting the sum of the issue price of the stock options 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 stock options.

2. If the options have been transferred

An amount calculated by subtracting the issue price of the options from the transfer price and multiplying the result by the number of stock options.

Remuneration for Directors and Auditors

1. Total amounts of fees, etc., for each category of the filing company's officers, total amount of each type of remuneration paid, and number of officers eligible

| 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 Outside Directors) | 597 | 442 | 56 | 97 | 13 |
| Auditors (excluding Outside Auditors) | — | — | — | — | — |
| Outside Directors and Auditors | 98 | 94 | 3 | — | 10 |

2. Consolidated total amount of fees, etc., for directors and auditors of the filing company

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.

3. 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 |
|--------------------------------|----------------------|---|
| 210 | 10 | Salaries (including bonuses) paid to directors who are also employees |

4. Policies concerning amounts of remuneration for Directors and Auditors, the adoption of methods for calculating those amounts, and the establishment of those policies

Business performance is taken into account in decisions concerning remuneration for Directors and Auditors. A resolution of the 13th Regular General Meeting of Shareholders, held on March 30, 2010, set the upper limit for total remuneration over the year at ¥1,100 million (including ¥100 million for Outside Directors). Total remuneration for Company Auditors is within the upper limit of ¥120 million as stipulated in a resolution of the 10th Regular General Meeting of Shareholders, held on March 29, 2007.

Shareholdings

1. Shares held for purposes other than pure investment

Number of companies: 12

Total amount shown in balance sheet: ¥2,541 million

2. Name of company, number of shares held, amount shown in balance sheet and purpose of holding for each shareholding held for reasons other than pure investment

December 31, 2010

| Company | Shares held | Amount shown in balance sheet (millions of yen) | Reason for holding |
|--|-------------|---|--|
| TOKYO BROADCASTING SYSTEM HOLDINGS, INC. | 37,770,700 | 48,875 | Strategic investment (note) |
| Synergy Marketing, Inc. | 568,000 | 3,709 | Reinforcement of business relationship |
| F@N Communications, Inc. | 5,779 | 595 | Reinforcement of business relationship |
| IMJ Corporation | 5,500 | 176 | Reinforcement of business relationship |
| FreeBit Co., Ltd. | 498 | 162 | Reinforcement of business relationship |
| Alpen Co., Ltd. | 18,000 | 26 | Reinforcement of business relationship |

Note: Rakuten acquired and held shares in this company with the aim of establishing a capital and business partnership. However, after the company became a Certified Broadcast Holding Company, Rakuten exercised its right to a demand the repurchase of the shares. As a result of this action, Rakuten sold the shares on May 10, 2011.

December 31, 2011

| Company | Shares held | Amount shown in balance sheet (millions of yen) | Reason for holding |
|--------------------------|-------------|---|--|
| Synergy Marketing, Inc. | 1,136,000 | 1,217 | Reinforcement of business relationship |
| F@N Communications, Inc. | 5,779 | 533 | Reinforcement of business relationship |
| FreeBit Co., Ltd. | 498 | 107 | Reinforcement of business relationship |
| IMJ Corporation | 5,500 | 93 | Reinforcement of business relationship |
| Alpen Co., Ltd. | 18,000 | 24 | Reinforcement of business relationship |

3. There are no investment stocks held purely for investment purposes.

Audits by Independent Auditors

Rakuten, Inc. has entered into an auditing agreement with Ernst & Young ShinNihon LLC, which conducts financial audits in accordance with Japan's Corporate Law and the Financial Instruments and Exchange Law.

In fiscal 2011, audits were conducted by the following chartered public accountants and assistants.

[Chartered public accountants]

Designated limited liability partner,
executive partner Masaharu Sugiyama

Designated limited liability partner,
executive partner Kenichi Ishida

* Since these accountants have conducted audits for fewer than seven years, the number of years has been omitted.

[Names of assistants]

21 chartered public accountants and 30 others

Other Provisions of the Articles of Incorporation

1. Matters Requiring Resolutions of General Meetings of Shareholders that Can Be Implemented by Resolutions of the Board of Directors

The Articles of Incorporation of Rakuten, Inc. 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 Corporate Law, without resolutions of General Meetings of Shareholders. The purpose of this provision is to allow the Board of Directors to implement a flexible dividend policy.

2. Items Requiring Special Resolutions of General Meetings of Shareholders

The Articles of Incorporation of Rakuten, Inc. state that matters requiring resolutions of General Meetings of Shareholders, as stipulated in Article 309, Paragraph 2 of the Corporate Law, require resolutions supported by at least two-thirds of voting rights at General Meetings of Shareholders attended by shareholders holding at least one-third of voting rights. The purpose of this provision is to facilitate the administration of General Meetings of Shareholders by easing the quorum requirements for special resolutions.

2. Audit Fees, etc.

Audit Fees Paid to Chartered Public Accountants, etc.

| Item | Fiscal year ended December 31, 2010 | | Fiscal year ended December 31, 2011 | |
|---|---|--|---|--|
| | 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 | 149 | 35 | 128 | 72 |
| Consolidated subsidiaries | 231 | 19 | 176 | 19 |
| Total | 380 | 54 | 304 | 91 |

Other Important Matters Pertaining to Fees

Fiscal year ended December 31, 2011

Some consolidated subsidiaries of Rakuten, Inc. are audited by Ernst & Young, which belongs to the same network as Ernst & Young ShinNihon LLC, the company providing certified public accountants and other audit personnel for Rakuten, Inc. Fees paid to Ernst & Young in fiscal 2011 amounted to ¥70 million.

Non-Audit Services Provided to the Company Submitting Financial Reports by Certified Public Accountants and Other Audit Personnel

Fiscal year ended December 31, 2011

The non-audit services for which Rakuten, Inc. pays fees to certified public accountants and other audit personnel consist primarily of advisory services relating to advice on IFRS.

Policy on Setting of Audit Fees

The policy of Rakuten, Inc. 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 Rakuten, Inc., the characteristics of its business activities, and the number of days required for audits.

Financial Section

Results of Operations and Financial Condition

For the fiscal year ended December 31, 2011

Business Performance

In 2011, the Rakuten Group sought to raise user convenience and improve customer satisfaction through new smartphone services and additions to the store lineup. Our overseas expansion accelerated and included the opening of an Internet shopping mall in Indonesia and the incorporation of e-commerce subsidiaries in Brazil, Germany, and the UK. Furthermore, we acquired Kobo Inc. of Canada in a move into the e-book business, a market with high worldwide growth potential. Our Internet Finance businesses leveraged group synergies for continued growth. We reorganized the credit card business during the third quarter to focus resources on the Rakuten Card business, a core business with prospects tied to the expansion of Internet shopping. The Rakuten Card-related business of the former Rakuten KC Co., Ltd., was transferred to Rakuten Card Co., Ltd. (formerly Rakuten Credit Co., Ltd.) in an absorption-type split among consolidated subsidiaries. We then sold our holdings of Rakuten KC stock and took other financial measures.

As a result, net sales for the year ended December 31, 2011, grew at a steady pace, despite the earthquake, amounting to ¥379,901 million (9.8% year-on-year growth). Operating income was ¥71,344 million (up 11.9%) after recording a ¥4,264 million provision as a result of recalculating interest repayments prior to the reorganization of the credit card business. These figures are record results. There was a loss before income taxes and minority interests of ¥14,462 million due to a ¥84,093 million extraordinary loss in connection with the credit card business reorganization, while net loss amounted to ¥1,140 million (compared to net income of ¥34,956 million in 2010, the previous fiscal year) after recording deferred income taxes of ¥21,418 million.

Financial Position

Assets

Total assets at the end of the fiscal year, amounted to ¥1,914,561 million, a decrease of ¥34,955 million from the ¥1,949,517 million at the end of 2010. Among the primary factors were increases of ¥41,090 million in short-term investment securities such as negotiable certificates of deposit, ¥38,229 million in other current assets in conjunction with increased call loans for banking business, and ¥29,797 million in loans and bills discounted for banking business.

Primary decreases included ¥94,563 million in operating loans receivables due to the credit card business reorganization and ¥47,150 million in investment securities mainly due to sale of investments in Tokyo Broadcasting System Holdings, Inc.

Liabilities

Total liabilities were ¥1,679,576 million, a decrease of ¥20,707 million from the ¥1,700,283 million at the end of 2010. The main factors were increases of ¥63,264 million for long-term debt and ¥28,229 million for deposits for banking business together with decreases of ¥49,717 million in short-term debt, ¥30,200 million in commercial papers, ¥17,099 million in margin transactions liabilities for securities business, and ¥13,610 million in income taxes payable.

Net Assets

Net assets at the end of 2011, came to ¥234,986 million, a

decrease of ¥14,248 million from the ¥249,234 million at the end of 2010. A major contributor was a ¥3,404 million decrease in shareholders' equity arising from the ¥1,140 million loss charged to income for the fiscal year and dividend paid of ¥2,624 million. Additional decreases stemmed from a ¥3,567 million valuation difference on available-for-sale securities, a ¥3,161 million foreign currency translation adjustments, and ¥4,595 million in minority interests in conjunction with the sale of shares in the former Rakuten KC.

Cash Flows

Cash and cash equivalents were ¥149,752 million, an increase of ¥49,015 million from the end of 2010. Cash flow conditions and their major factors are as follows.

Cash Flows from Operating Activities—Cash flows from operating activities had an outflow of ¥14,462 million from the loss before income taxes and minority interests, as opposed to an inflow of ¥60,717 million in 2010. Net loss includes non-cash flow items of ¥16,934 million for depreciation and amortization, compared with ¥16,813 million for 2010; and ¥77,122 million for loss on business restructuring of the credit card business, which have been adjusted by stating a corresponding cash inflow of the same value. At Rakuten Bank, a net increase in deposits contributed ¥28,229 million in cash inflows, up from ¥14,919 million in 2010, while a net increase in loans for banking business was responsible for ¥29,797 million in cash outflows, down from ¥33,004 million in 2010. Rakuten Card had a cash outflow of ¥88,644 million from a net increase in beneficial interest in securitized assets, an increase from ¥43,405 million in 2010, and a cash inflow of ¥22,697 million from a net decrease in operating loans receivable, up from ¥20,847 million in 2010.

As a result, net cash provided by operating activities fell to a net inflow of ¥27,586 million from a ¥30,305 million net inflow in 2010.

Cash Flows from Investing Activities—Major cash flows from investing activities included net outflows of ¥390,828 million for purchase of securities for banking business, up from ¥370,844 million in 2010, and ¥15,163 million for purchase of intangible assets such as software, up from ¥14,947 million. Cash inflows included proceeds from sale and redemption of securities for banking business of ¥455,813 million, compared with ¥372,267 million in 2010.

As a result, net cash provided by investing activities showed a net inflow of ¥56,351 million, a reversal of the ¥60,538 million net outflow in 2010.

Cash Flows from Financing Activities—Cash flows from financing activities included a net inflow of ¥173,350 million proceeds from long-term loans payable, compared with a ¥83,385 million inflow in 2010. Net cash outflows included ¥143,538 million for repayment of long-term loans payable, up from ¥92,550 million in 2010; ¥30,200 million for a net decrease in commercial papers, compared with a net inflow of ¥31,400 million in 2010; and ¥19,235 million from a net decrease in short-term loans payable, compared with a net inflow of ¥29,032 million in 2010.

As a result, net cash flows for financing activities were a net outflow of ¥34,648 million, a reversal of the ¥27,609 million net inflow in 2010.

Consolidated Balance Sheets

Rakuten, Inc. and Consolidated Subsidiaries
December 31, 2011 and 2010

| ASSETS | Millions of yen | | Thousands of U.S. dollars |
|--|--------------------|--------------------|------------------------------|
| | 2010 | 2011 | 2011 |
| CURRENT ASSETS: | | | |
| Cash and deposits | ¥ 72,866 | ¥ 88,990 | \$ 1,144,711 |
| Notes and accounts receivable — trade | 45,354 | 49,668 | 638,898 |
| Accounts receivable — installment | 100,909 | 66,219 | 851,803 |
| Accounts receivable — installment sales — credit guarantee | 2,466 | 2,153 | 27,699 |
| Beneficial interests in securitized assets | 66,601 | 88,960 | 1,144,324 |
| Cash segregated as deposits for securities business | 223,114 | 207,503 | 2,669,194 |
| Margin transactions assets for securities business | 126,779 | 115,634 | 1,487,440 |
| Operating loans | 156,950 | 62,387 | 802,507 |
| Short-term investment securities | 35,510 | 76,600 | 985,336 |
| Securities for banking business | 535,087 | 537,791 | 6,917,811 |
| Loans for banking business | 125,881 | 155,678 | 2,002,547 |
| Deferred tax assets | 13,340 | 33,319 | 428,598 |
| Other | 151,586 | 189,815 | 2,441,664 |
| Allowance for doubtful accounts | (27,012) | (14,385) | (185,038) |
| Total current assets | 1,629,432 | 1,660,332 | 21,357,494 |
| NON-CURRENT ASSETS: | | | |
| Property, plant and equipment | 21,890 | 15,805 | 203,303 |
| Intangible assets | | | |
| Goodwill | 127,456 | 115,064 | 1,480,114 |
| Others | 54,041 | 58,223 | 748,944 |
| Total Intangible assets | 181,496 | 173,287 | 2,229,059 |
| INVESTMENTS AND OTHER ASSETS: | | | |
| Investment securities | 67,834 | 20,685 | 266,078 |
| Deferred tax assets | 25,459 | 25,731 | 330,988 |
| Other | 26,454 | 33,630 | 432,597 |
| Allowance for doubtful accounts | (3,049) | (14,908) | (191,766) |
| Total investments assets and other assets | 116,698 | 65,138 | 837,897 |
| Total non-current assets | 320,084 | 254,230 | 3,270,258 |
| TOTAL ASSETS | ¥ 1,949,517 | ¥ 1,914,561 | \$ 24,627,752 |

The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at ¥77.74 to \$1, the rate of exchange prevailing at December 31, 2011.

| | Millions of yen | | Thousands of U.S. dollars |
|---|--------------------|--------------------|------------------------------|
| LIABILITIES | 2010 | 2011 | 2011 |
| CURRENT LIABILITIES: | | | |
| Short-term debts | ¥ 143,507 | ¥ 97,042 | \$ 1,248,290 |
| Current portion of long-term debts | 92,573 | 59,030 | 759,326 |
| Notes and accounts payable — trade | 36,835 | 59,202 | 761,537 |
| Deposits for banking business | 713,273 | 741,501 | 9,538,222 |
| Accounts payable — credit guarantee | 2,466 | 2,295 | 29,527 |
| Income taxes payable | 17,590 | 3,981 | 51,206 |
| Deposits received for securities business | 145,973 | 139,483 | 1,794,222 |
| Margin transactions liabilities for securities business | 55,329 | 38,230 | 491,764 |
| Guarantee deposits received for securities business | 77,773 | 79,818 | 1,026,729 |
| Borrowings secured by securities for securities business | 32,775 | 28,735 | 369,629 |
| Provisions | 15,686 | 18,988 | 244,251 |
| Other | 209,980 | 204,530 | 2,630,946 |
| Total current liabilities | 1,543,760 | 1,472,835 | 18,945,649 |
| NON-CURRENT LIABILITIES: | | | |
| Long-term debts | 134,256 | 192,425 | 2,475,244 |
| Deferred tax liabilities | 4,694 | 4,762 | 61,253 |
| Other non-current provisions | 10,569 | 1,434 | 18,444 |
| Other | 5,027 | 6,246 | 80,346 |
| Total non-current liabilities | 154,546 | 204,867 | 2,635,287 |
| RESERVES UNDER THE SPECIAL LAWS: | | | |
| Reserve for financial instrument transaction liabilities | 1,965 | 1,839 | 23,653 |
| Reserve for commodities transaction liabilities | 13 | 35 | 452 |
| Total reserves under the special laws | 1,977 | 1,874 | 24,104 |
| TOTAL LIABILITIES | 1,700,283 | 1,679,576 | 21,605,040 |
| NET ASSETS | | | |
| SHAREHOLDERS' EQUITY: | | | |
| Common stock | | | |
| Authorized: 39,418,000 shares | | | |
| Issued: 13,194,578 shares in 2011 | 107,779 | 107,959 | 1,388,720 |
| 13,181,697 shares in 2010 | | | |
| Capital surplus | 119,851 | 120,031 | 1,544,003 |
| Retained earnings | 13,183 | 9,420 | 121,168 |
| Treasury stock — at cost, 60,079 shares in 2011 and 60,079 shares in 2010 | (3,626) | (3,626) | (46,637) |
| Total shareholders' equity | 237,188 | 233,784 | 3,007,254 |
| ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME | | | |
| Valuation difference on available-for-sale securities | 6,001 | 2,433 | 31,303 |
| Deferred gains or losses on hedges | (198) | 54 | 693 |
| Foreign currency translation adjustments | (4,694) | (7,854) | (101,035) |
| Total accumulated other comprehensive (loss) income | 1,109 | (5,367) | (69,039) |
| SUBSCRIPTION RIGHTS TO SHARES | 958 | 1,185 | 15,242 |
| MINORITY INTERESTS | 9,979 | 5,384 | 69,256 |
| TOTAL NET ASSETS | 249,234 | 234,986 | 3,022,712 |
| TOTAL LIABILITIES AND NET ASSETS | ¥ 1,949,517 | ¥ 1,914,561 | \$ 24,627,752 |

Consolidated Statements of Income

Rakuten, Inc. and Consolidated Subsidiaries
Years Ended December 31, 2011 and 2010

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|-----------|------------------------------|
| | 2010 | 2011 | 2011 |
| NET SALES | ¥ 346,144 | ¥ 379,901 | \$ 4,886,811 |
| COST OF SALES | 75,251 | 75,232 | 967,740 |
| Gross profit | 270,893 | 304,669 | 3,919,071 |
| SELLING, GENERAL AND ADMINISTRATIVE EXPENSES | 207,127 | 233,325 | 3,001,347 |
| Operating income | 63,766 | 71,344 | 917,724 |
| OTHER INCOME (EXPENSES) | | | |
| Interest income | 65 | 105 | 1,350 |
| Dividend income | 209 | 137 | 1,760 |
| Foreign exchange (loss) gain | 17 | (25) | (324) |
| Equity in earnings of affiliates | 337 | 399 | 5,132 |
| Interest expense | (1,629) | (1,677) | (21,575) |
| Commission fee expense | (369) | (1,717) | (22,091) |
| Gain on negative goodwill | — | 124 | 1,597 |
| Gain on step acquisitions | 1,700 | — | — |
| Reversal of reserve for financial instruments transaction liabilities | 764 | 126 | 1,618 |
| Gain on change in equity | 107 | 177 | 2,272 |
| Gain on sales of subsidiaries and affiliates' stocks | 262 | 374 | 4,809 |
| Loss on disposal of non-current assets | (402) | (1,157) | (14,883) |
| Loss on disaster | — | (1,725) | (22,196) |
| Loss on business restructuring | — | (77,122) | (992,051) |
| Provision of allowance for doubtful accounts | — | (2,151) | (27,665) |
| Loss on investment securities | (1,867) | — | — |
| Impairment loss | (1,303) | — | — |
| Other — net | (942) | (1,672) | (21,512) |
| Other expenses — net | (3,050) | (85,806) | (1,103,757) |
| (LOSS) INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS | 60,717 | (14,462) | (186,033) |
| INCOME TAXES | | | |
| Income taxes — current | 25,888 | 6,979 | 89,775 |
| Income taxes — deferred | (760) | (21,418) | (275,505) |
| INCOME TAX (BENEFIT) EXPENSE | 25,128 | (14,439) | (185,730) |
| (LOSS) INCOME BEFORE MINORITY INTERESTS | 35,589 | (24) | (303) |
| MINORITY INTERESTS IN INCOME | 633 | 1,116 | 14,356 |
| NET (LOSS) INCOME | ¥ 34,956 | ¥ (1,140) | \$ (14,659) |

The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at ¥77.74 to \$1, the rate of exchange prevailing at December 31, 2011.

Consolidated Comprehensive Income Statement

Rakuten, Inc. and Consolidated Subsidiaries
Year Ended December 31, 2011

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|---------|------------------------------|
| | 2010 | 2011 | 2011 |
| Loss before minority interests | — | ¥ (24) | \$ (303) |
| OTHER COMPREHENSIVE LOSS | | | |
| Valuation difference on available-for-sale securities | — | (3,557) | (45,757) |
| Deferred gains on hedges | — | 264 | 3,392 |
| Foreign currency translation adjustments | — | (3,222) | (41,450) |
| Share of other comprehensive loss of affiliates accounted for using equity method | — | (20) | (255) |
| TOTAL OTHER COMPREHENSIVE LOSS | — | (6,536) | (84,070) |
| COMPREHENSIVE LOSS | — | (6,559) | (84,373) |
| (Comprehensive income (loss) attributable to) | | | |
| Owners of the parent | — | (7,616) | (97,962) |
| Minority interests | — | ¥ 1,056 | \$ 13,589 |

Consolidated Statement of Changes in Net Assets

Rakuten, Inc. and Consolidated Subsidiaries
Year Ended December 31, 2011

| | Millions of yen | | | | | | As of Dec. 31, 2011 |
|--|------------------------|--------------------------------|---------------------------|-------------|---|---------------------------------------|------------------------|
| | As of Dec. 31, 2010 | Changes in fiscal year 2011 | | | | | |
| | | Issuance of common stock | Cash dividends paid | Net loss | Net changes in items other than those in shareholders' equity | Total of changes in fiscal 2011 | |
| Common stock | ¥ 107,779 | ¥ 180 | — | — | — | ¥ 180 | ¥ 107,959 |
| Capital surplus | 119,851 | 180 | — | — | — | 180 | 120,031 |
| Retained earnings | 13,183 | — | ¥ (2,624) | ¥ (1,140) | — | (3,764) | 9,420 |
| Treasury stock | (3,626) | — | — | — | — | — | (3,626) |
| Shareholders' equity | 237,188 | 360 | (2,624) | (1,140) | — | (3,404) | 233,784 |
| Valuation difference on available-for-sale securities | 6,001 | — | — | — | ¥ (3,567) | (3,567) | 2,433 |
| Deferred gains or losses on hedges | (198) | — | — | — | 252 | 252 | 54 |
| Foreign currency translation adjustments | (4,694) | — | — | — | (3,161) | (3,161) | (7,854) |
| Total accumulated other comprehensive income (loss) | 1,109 | — | — | — | (6,476) | (6,476) | (5,367) |
| Subscription rights to shares | 958 | — | — | — | 227 | 227 | 1,185 |
| Minority interests | 9,979 | — | — | — | (4,595) | (4,595) | 5,384 |
| Net assets | ¥ 249,234 | ¥ 360 | ¥ (2,624) | ¥ (1,140) | ¥ (10,844) | ¥ (14,248) | ¥ 234,986 |
| Net assets, Dec. 31, 2011 thousands of U.S. dollars | \$ 3,205,993 | \$ 4,630 | \$ (33,758) | \$ (14,659) | \$ (139,494) | \$ (183,281) | \$ 3,022,712 |

The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at ¥77.74 to \$1, the rate of exchange prevailing at December 31, 2011.

Consolidated Statements of Cash Flows

Rakuten, Inc. and Consolidated Subsidiaries
Years Ended December 31, 2011 and 2010

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|------------|------------------------------|
| | 2010 | 2011 | 2011 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | | | |
| (Loss) income before income taxes and minority interests | ¥ 60,717 | ¥ (14,462) | \$ (186,033) |
| Depreciation and amortization | 16,813 | 16,934 | 217,826 |
| Amortization of goodwill | 7,035 | 7,848 | 100,952 |
| Decrease in allowance for doubtful accounts | (10,889) | (769) | (9,887) |
| Loss on valuation of securities for banking business | 2,935 | 2,214 | 28,477 |
| Loss on business restructuring | — | 77,122 | 992,051 |
| Other loss | 7,941 | 5,513 | 70,913 |
| Increase in notes and accounts receivable — trade | (5,986) | (4,266) | (54,881) |
| Decrease (increase) in accounts receivable — installment | (7,798) | 13,539 | 174,155 |
| Increase in beneficial interests in securitized assets | (43,405) | (88,644) | (1,140,268) |
| Decrease in operating loans receivable | 20,847 | 22,697 | 291,964 |
| Increase in notes and accounts payable — trade | 6,697 | 21,218 | 272,936 |
| Increase in accounts payable — other and accrued expenses | 3,696 | 21,770 | 280,034 |
| Increase in deposits for banking business | 14,919 | 28,229 | 363,119 |
| (Increase) decrease in call loans for banking business | 4,000 | (24,000) | (308,721) |
| Increase in loans for banking business | (33,004) | (29,797) | (383,291) |
| Decrease (increase) in operating assets for securities business | (16,192) | 28,983 | 372,821 |
| Decrease in operating liabilities for securities business | (11,664) | (21,544) | (277,130) |
| (Decrease) increase in borrowings secured by securities for securities business | 22,663 | (4,040) | (51,973) |
| Other — net | 14,239 | (8,356) | (107,491) |
| Subtotal | 53,563 | 50,187 | 645,573 |
| Increase in guarantee deposits for business operation | (5,540) | (392) | (5,036) |
| Decrease in guarantee deposits for business operation | 3,333 | 2,176 | 27,995 |
| Income taxes paid | (20,801) | (23,165) | (297,986) |
| Payments for business restructuring | — | (1,220) | (15,696) |
| Other | (250) | — | — |
| Net cash provided by operating activities | ¥ 30,305 | ¥ 27,586 | \$ 354,849 |

The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at ¥77.74 to \$1, the rate of exchange prevailing at December 31, 2011.

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|-----------|------------------------------|
| | 2010 | 2011 | 2011 |
| NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES | | | |
| Increase in time deposits | ¥ (7,351) | ¥ (9,946) | \$ (127,934) |
| Decrease in time deposits | 11,001 | 5,573 | 71,688 |
| Purchase of securities for banking business | (370,844) | (390,828) | (5,027,370) |
| Proceeds from sales and redemption of securities for banking business | 372,267 | 455,813 | 5,863,302 |
| Purchase of investments in subsidiaries | (18,825) | (7,497) | (96,438) |
| Purchase of investments in subsidiaries resulting in change in scope of consolidation | (40,159) | (7,483) | (96,258) |
| Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation | — | 33,554 | 431,618 |
| Purchase of property, plant and equipment | (5,758) | (3,825) | (49,206) |
| Purchase of intangible assets | (14,947) | (15,163) | (195,042) |
| Other payments | (4,435) | (6,499) | (83,600) |
| Other proceeds | 17,764 | 2,207 | 28,388 |
| Interest and dividends received | 748 | 445 | 5,724 |
| Net cash provided by (used in) investing activities | (60,538) | 56,351 | 724,871 |
| NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES | | | |
| Net (decrease) increase in short-term loans payable | 29,032 | (19,235) | (247,429) |
| (Decrease) increase in commercial papers | 31,400 | (30,200) | (388,474) |
| Proceeds from long-term loans payable | 83,385 | 173,350 | 2,229,869 |
| Repayment of long-term loans payable | (92,550) | (143,538) | (1,846,383) |
| Redemption of bonds | (18,280) | (4,800) | (61,749) |
| Interest paid | (1,639) | (1,575) | (20,262) |
| Cash dividends paid | (1,314) | (2,630) | (33,831) |
| Other | (2,425) | (6,020) | (77,435) |
| Net cash (used in) provided by financing activities | 27,609 | (34,648) | (445,695) |
| EFFECT OF CHANGE IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS | (984) | (1,172) | (15,074) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (3,609) | 48,117 | 618,951 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR | 103,618 | 100,737 | 1,295,817 |
| CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES | 727 | 898 | 11,554 |
| CASH AND CASH EQUIVALENTS AT END OF THE YEAR | ¥ 100,737 | ¥ 149,752 | \$ 1,926,321 |

Consolidated Subsidiaries and Affiliated Companies

(As of December 31, 2011)

| Name | Location | Ownership (%) | Note |
|--|----------------------------|---------------|------|
| Consolidated Subsidiaries | | | |
| Internet Services Segment | | | |
| Rakuten Auction, Inc. | Japan | 60.0 | |
| Signature Japan Co., Ltd. | Japan | 100.0 | |
| Fine Trading Co., Ltd. | Japan | 100.0 | |
| LinkShare Corporation | U.S.A. | 100.0 | 2 |
| LinkShare International LLC | U.S.A. | 100.0 | 2 |
| LinkShare Ltd. | U.K. | 100.0 | 2 |
| Rakuten USA, Inc. | U.S.A. | 100.0 | |
| Keiba Mall, Inc. | Japan | 100.0 | |
| Rakuten Europe S.a.r.l. | Luxembourg | 100.0 | 6 |
| Taiwan Rakuten Ichiba Inc. | Taiwan | 51.0 | |
| Net's Partners Co., Ltd. | Japan | 100.0 | |
| FreeCause, Inc. | U.S.A. | 100.0 | 2 |
| Rakuten (Thailand) Co., Ltd. | Thailand | 100.0 | |
| TARAD Dot Com Co., Ltd. | Thailand | 67.0 | |
| Rakuten Shigoto Shoukai, Inc. | Japan | 100.0 | |
| LinkShare Hong Kong Ltd. | Hong Kong | 100.0 | 2 |
| LinkShare Japan K.K. | Japan | 63.8 | |
| Rakuten Logistics, Inc. | Japan | 100.0 | |
| Buy.com Inc. | U.S.A. | 100.0 | 2 |
| BuyServices Inc. | U.S.A. | 100.0 | 2 |
| PRICEMINISTER S.A.S. | France | 100.0 | 3 |
| Voyager moins Cher S.A.S. | France | 100.0 | 3 |
| TMG MEDIA GROUP S.A.S. | France | 100.0 | 3 |
| RakuBai Limited | Hong Kong | 51.0 | |
| Lekutian Co., Limited | People's Republic of China | 100.0 | |
| Lekutian ICP | People's Republic of China | — | |
| Target, Inc. | Japan | 100.0 | |
| Rakuten Research, Inc. | Japan | 100.0 | |
| Rakuten Shashinkan, Inc. | Japan | 100.0 | |
| RAKUTEN SHOWTIME, Inc. | Japan | 100.0 | |
| PT RAKUTEN INDONESIA | Indonesia | 100.0 | 1 |
| PT. Rakuten-MNC | Indonesia | 51.0 | 1 |
| China Rakuten Network Science and Technology Co.,Ltd | People's Republic of China | 100.0 | 1 |
| Rakuten Brazil Holdings LTDA. | Brazil | 100.0 | 1 |
| RAKUTEN BRASIL INTERNET SERVICE LTDA. | Brazil | 90.0 | 1 |
| Tradoria GmbH | Germany | 100.0 | 1, 3 |
| Ticket Star Inc. | Japan | 66.7 | 1 |
| Play Holdings Limited | U.K. | 100.0 | 1 |
| Play European Holdings Limited | U.K. | 100.0 | 1, 4 |
| Vanilla Limited | U.K. | 100.0 | 1, 4 |
| Play Trade S.a.r.l. | Luxembourg | 100.0 | 1, 4 |
| Play Media S.a.r.l. | Luxembourg | 100.0 | 1, 4 |
| Webworks Development Limited | U.K. | 100.0 | 1, 4 |
| Play Limited | U.K. | 100.0 | 1, 4 |
| Boa Limited | U.K. | 100.0 | 1, 4 |
| The Web Factory Limited | U.K. | 100.0 | 1, 4 |

| Name | Location | Ownership (%) | Note |
|--|----------------------------|---------------|------|
| Play Payments Limited | U.K. | 100.0 | 1, 4 |
| Play Direct Limited | U.K. | 100.0 | 1, 4 |
| Rakuten Travel, Inc. | Japan | 100.0 | |
| RAKUTEN TRAVEL KOREA CO., LTD. | Republic of Korea | 100.0 | |
| TABIMADO CO., LTD SHANGHAI | People's Republic of China | — | |
| Rakuten Bus Services Inc. | Japan | 100.0 | |
| Rakuten Travel Guam Inc. | U.S.A. | 100.0 | |
| RAKUTEN TRAVEL USA, INC. | U.S.A. | 100.0 | 1 |
| China Online Travel, Inc. | Japan | 100.0 | 1 |
| ET MOBILE (CHINA) CO., LTD | People's Republic of China | 100.0 | 1 |
| ET Solution (China) Co., Ltd. | People's Republic of China | — | 1 |
| Beijing Happy Travel Business Service Co.,Ltd. | People's Republic of China | — | 1 |
| Beijing Happy Travel International Hotel Management Co.,Ltd. | People's Republic of China | — | 1 |
| Internet Finance Segment | | | |
| Rakuten Bank, Ltd. | Japan | 100.0 | 6 |
| Rakuten Bank Systems, Ltd. | Japan | 100.0 | |
| eBANK Capital Management (Cayman) Ltd. | Cayman Islands | 100.0 | |
| Rakuten Mortgage Co., Ltd. | Japan | 100.0 | |
| Rakuten Securities, Inc. | Japan | 100.0 | |
| Rakuten Card Co., Ltd. | Japan | 100.0 | 6 |
| Kajiyama Warehouse Co., Ltd. | Japan | 100.0 | |
| Rakuten Insurance Planning Co., Ltd. | Japan | 100.0 | |
| Rakuten Investment Management, Inc. | Japan | 100.0 | |
| Dot Commodity, Inc. | Japan | 97.1 | |
| RS Empowerment, Inc. | Japan | 100.0 | |
| bitWallet, Inc. | Japan | 85.0 | |
| Others Segment | | | |
| Rakuten Baseball, Inc. | Japan | 100.0 | |
| FUSION COMMUNICATIONS CORPORATION | Japan | 50.0 | |
| O-net, Inc. | Japan | 100.0 | |
| Rakuten Sociobusiness, Inc | Japan | 100.0 | |
| Equity-method Affiliates | | | |
| OKWave | Japan | 18.6 | 5 |
| Drecom Co., Ltd | Japan | 19.8 | 5 |
| WORLD TRAVEL SYSTEMS INC. | Japan | 27.0 | |
| Rakuten ANA Travel Online Co., Ltd. | Japan | 50.0 | |
| TECHMATRIX CORPORATION | Japan | 31.8 | 5 |
| NEXT Co., Ltd. | Japan | 16.0 | 5 |
| SOURCENEXT CORPORATION | Japan | 28.1 | 5 |
| AIRIO Life Insurance Co., Ltd | Japan | 34.0 | |

- Notes:**
- The company became a group member during the fiscal year ended December 31, 2011.
 - LinkShare Corporation, FreeCause, Inc. and Buy.com Inc. are subsidiaries of Rakuten USA, Inc. LinkShare International, LLC is a subsidiary of LinkShare Corporation, and LinkShare Ltd. and LinkShare Hong Kong Ltd. are subsidiaries of LinkShare International, LLC. BuyServices Inc. is a subsidiary of Buy.com Inc.
 - PRICEMINISTER S.A.S. and Tradoria GmbH are subsidiaries of Rakuten Europe S.a.r.l. In addition, Voyager moins Cher S.A.S. and TMG MEDIA GROUP S.A.S. are subsidiaries of PRICEMINISTER S.A.S.
 - Play European Holdings Limited and Vanilla Limited are subsidiaries of Play Holdings Limited. Play Trade S.a.r.l., Play Media S.a.r.l., Webworks Development Limited, Play Limited, Boa Limited, The Web Factory Limited, Play Direct Limited and Play Payments Limited are subsidiaries of Play European Holdings Limited.
 - Denotes companies required to submit financial reports and securities registration statements according to Japanese securities and exchange legislation.
 - This is a special-purpose company.

Corporate History

| | | | |
|-------------|--|-------------|--|
| 1997 | Rakuten Ichiba, the Internet shopping mall, commences operation. | 2010 | bitWallet, Inc., the Edy e-money system operator, becomes a subsidiary. |
| 2000 | Rakuten, Inc. goes public through an IPO on the JASDAQ market. Rakuten Books is founded as a joint venture with Nippon Shuppan Hanbai inc. Infoseek Japan K.K. is acquired by Rakuten, Inc. to create a portal service. | | LinkShare Japan K.K. becomes a subsidiary through a merger with Traffic Gate, Ltd. Buy.com Inc. becomes a subsidiary through Rakuten USA, Inc. PRICEMINISTER S.A. (now PRICEMINISTER S.A.S.), an e-commerce site operator in France, becomes a wholly owned subsidiary through Rakuten Europe S.a.r.l. Rakuten Bank Ltd. is made a wholly owned subsidiary through a stock swap. Rakuten launches an Internet shopping mall in China as a joint venture with Baidu, Inc. |
| 2001 | Rakuten Travel starts online hotel reservation services. | | |
| 2003 | MyTrip.net is acquired by Rakuten, Inc. to spearhead the travel business; later merged with Rakuten Travel, Inc. in 2004. Rakuten, Inc. acquires 96.7% of shares in DLJdirect SFG Securities to create the current Rakuten Securities, Inc. | 2011 | Rakuten, Inc. and Indonesia's largest media group, PT Global Mediacom Tbk., launched an Indonesia-based Internet shopping mall, "Rakuten Belanja Online." Ikeda Internet Software LTDA., one of Brazil's leading e-commerce platform providers, becomes a subsidiary of Rakuten, Inc. Tradoria GmbH., one of Germany's leading online e-commerce platform providers, becomes a subsidiary of Rakuten, Inc. Play Holdings Limited, one of the UK's most successful e-commerce businesses, becomes a subsidiary of Rakuten, Inc. Rakuten, Inc. announces the acquisition of Kobo, Inc., based in Canada, a leading global e-book business. |
| 2004 | Rakuten, Inc. acquires 96.5% of shares in Aozora Card; the company is later renamed Rakuten Credit, Inc. Rakuten Baseball, Inc. is founded to start a professional sports business. | | |
| 2005 | Rakuten, Inc. acquires 100% of shares in LinkShare Corporation to spearhead overseas push. Rakuten Auction, Inc. is founded as a joint venture with NTT Docomo, Inc. Kokunai Shinpan Co., Ltd. (later named Rakuten KC Co., Ltd.) is included in the consolidation as a subsidiary of Rakuten Inc. | | |
| 2006 | Rakuten KC Co., Ltd. transfers its auto loan business to Orient Corporation to streamline its business. | | |
| 2007 | Rakuten, Inc. acquires 73.5% of the shares in Fusion Communications to commence an IP telephony business. Rakuten Books is integrated into Rakuten Ichiba. | | |
| 2008 | Rakuten Logistics, Inc. is founded to commence new logistics business. Rakuten, Inc. and President Chain Store establish a joint venture and start a Taiwan-based internet shopping mall business: Rakuten Ichiba Taiwan. Rakuten, Inc. signs an agreement with eBANK Corporation (now Rakuten Bank, Ltd.) regarding a strategic and capital alliance. | | |
| 2009 | Rakuten Bank, Ltd. becomes a subsidiary. TARAD Dot Com Co., Ltd., an Internet shopping mall operator in Thailand, becomes a subsidiary through Rakuten (Thailand) Co., Ltd. | | |

Corporate Information

Company Overview

| | |
|------------------|--|
| Name | Rakuten, Inc. |
| Founded | February 7, 1997 |
| Service Launched | May 1, 1997 |
| IPO | April 19, 2000 |
| Capital | 107,959 million yen (As of December 31, 2011) |
| Employees | 7,615 (Consolidated) |
| Headquarters | Shinagawa Seaside Rakuten Tower, 4-12-3 Higashishinagawa, Shinagawa-ku, Tokyo 140-0002, Japan |

Stock Information

| | |
|---|--|
| Stock Code | 4755 (Osaka Securities Exchange) |
| Fiscal Year | January 1 to December 31 |
| Month of Annual General Shareholders' Meeting | March |
| Shareholder Record Date | December 31 |
| Transfer Agent | Sumitomo Mitsui Trust Bank, Limited |
| Contact | Sumitomo Mitsui Trust Bank, Limited Stock Transfer Agency Department 1-10 Nikko-cho, Fuchu-shi, Tokyo 183-8701, Japan |

Inquiry

Investor Relations, Rakuten, Inc.
URL <http://global.rakuten.com/investor/>

Number of Shares and Shareholders

(As of December 31, 2011)

| | |
|-------------------------------|---------------------------|
| Number of Shares Authorized | 39,418,000 (common stock) |
| Total Number of Shares Issued | 13,194,578 (common stock) |
| Number of Shareholders | 76,508 |

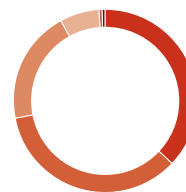
Main Shareholders

(As of December 31, 2011)

| Name | Number of shares | Percentage held |
|---|------------------|-----------------|
| Crimson Group, Inc. | 2,264,190 | 17.16 |
| Hiroshi Mikitani | 2,175,720 | 16.49 |
| Haruko Mikitani | 1,458,750 | 11.06 |
| CBNY-ORBIS FUNDS | 352,641 | 2.67 |
| Masuda and Partners Inc. | 344,610 | 2.61 |
| THE CHASE MANHATTAN BANK 385036 | 314,004 | 2.38 |
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 288,227 | 2.18 |
| MELLON BANK, N.A. AS AGENT FOR ITS CLIENT MELLON OMNIBUS US PENSION | 264,120 | 2.00 |
| Japan Trustee Services Bank, Ltd. (Trust Account) | 256,768 | 1.95 |
| CBNY-ORBIS SICAV | 214,600 | 1.63 |

Classification by Type of Shareholder

(As of December 31, 2011)



| | |
|--|--------|
| Individuals | 37.11% |
| Foreign financial institutions and individuals | 34.93% |
| Other domestic corporations | 20.13% |
| Domestic financial institutions | 6.90% |
| Securities firms | 0.46% |
| Others | 0.47% |



Origins of the Name Rakuten

Rakuten Ichiba is named after *Rakuichi-Rakuza*, the first free and open marketplace in Japan, opened in the 16th century.

When used as a verb, *raku* is written with a Chinese character meaning to enjoy oneself (楽). The same character is used in Rakuten, which means "positive spirit." The name Rakuten Ichiba literally means a "market of positive spirit," where shopping is entertainment. These words symbolize the driven, forward-looking nature of our business. That is why we named our company Rakuten, Inc.

Cautionary Statement

In this report, unless indicated otherwise, references to "Rakuten", "Rakuten Group", "we", "our" and "us" are to Rakuten, Inc. and its consolidated subsidiaries and consolidated affiliates. Statements regarding current plans, strategies, beliefs and other statements that are not historical facts of the Rakuten Group are forward-looking statements.

Such forward-looking statements are based on management's assumptions and beliefs in light of information currently available, and it should be noted that risks and unforeseen factors could cause actual results to differ significantly from those discussed in the report. We do not intend to update these forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable laws.

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Annual Report | Fiscal Year Ended December 31, 2011

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