

Sharing the Brand

Annual Report

Fiscal Year Ended December 31, 2013

楽天

Rakuten

Empowerment

Ever since its founding in 1997, Rakuten has been developing a unique, original business model with the goal of becoming the world's leading Internet services company.

By applying this business model, we have created the “Rakuten Ecosystem” for the provision of one-stop access to wide-ranging Internet Services, Internet Finance and Digital Content businesses. At the heart of the business is membership and brand. In fiscal 2013, the Rakuten Group's gross transaction volume reached ¥5 trillion, and the number of members is approximately 200 million. We also have business operations in Japan, Asia, North and South America and Europe.

In these markets, we will seek to create a global Rakuten Ecosystem by sharing with overseas group companies expertise cultivated in Japan through implementation of our domestic business model, and by adhering to the corporate philosophy of empowering people and society through the Internet.

Contents

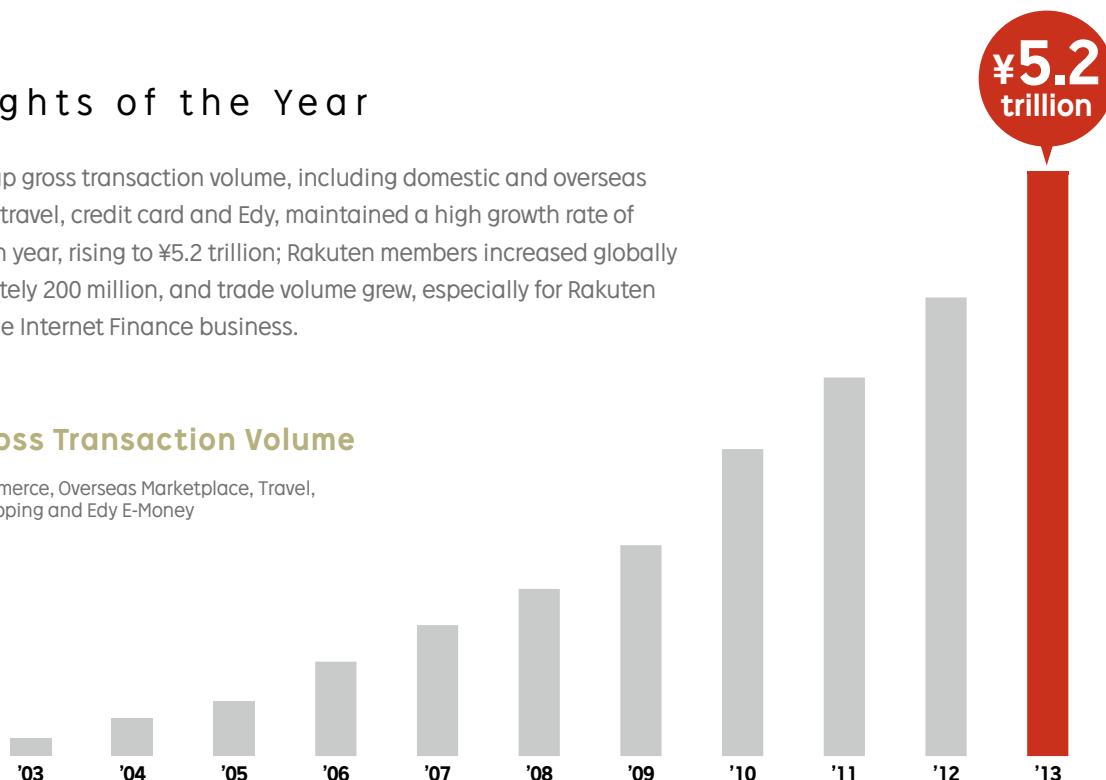
2 Message from the Chairman and CEO	27 Managing Executive Officers
7 Message from the Executive Director of Finance Business	28 Corporate Governance
8 Review of Operations	33 Financial Section
14 Financial Highlights	39 Major Consolidated Subsidiaries and Affiliated Companies
22 Value Creation for Sustainable Growth	40 Corporate History
26 Board of Directors and Company Auditors	41 Corporate Information

Highlights of the Year

Rakuten Group gross transaction volume, including domestic and overseas e-commerce, travel, credit card and Edy, maintained a high growth rate of 26.6% year on year, rising to ¥5.2 trillion; Rakuten members increased globally to approximately 200 million, and trade volume grew, especially for Rakuten Ichiba and the Internet Finance business.

Group Gross Transaction Volume

Domestic E-Commerce, Overseas Marketplace, Travel, Credit Card Shopping and Edy E-Money



Group Gross Transaction Volume: ¥5.2 trillion

Most Powerful Web Brand in Japan

Rakuten Ichiba was selected as Japan's leading Web brand for the third consecutive year in Nikkei BP Consulting's Web brand survey.

Maintaining the Top Web Brand Position in Japan

Rank	Former Rank	Site Name	Score
1	1	Rakuten Ichiba	120.1
2	2	Yahoo! Japan	119.3
3	4	Amazon.co.jp	105.7
4	5	EC Navi	101.2
5	3	Google	96.8

Nikkei BP Consulting, Inc. "Web Brand Survey 2013—Autumn/Winter" December 2013
Change in rank compared to previous survey in April 2013

Global Development of the Digital Content Business

Rakuten proactively developed e-book services as well as video streaming services in Japan and abroad with the aim of strengthening digital content services, which are positioned as one of the pillars of our future growth strategy.



Japan Series Championship for the Tohoku Rakuten Golden Eagles

The Tohoku Rakuten Golden Eagles ("Golden Eagles") became the number one baseball team in Japan for the first time in the nine years since their formation. Within Japan, the Rakuten Group's brand profile received a major boost from that event.



Change of Stock Market Listing to the First Section of the Tokyo Stock Exchange

In December 2013, Rakuten, Inc. moved its listing from the JASDAQ exchange to the First Section of the Tokyo Stock Exchange. Rakuten was also selected for inclusion in the JPX 400 index.

We are at the top in Japan, with a brand and vision created to serve the whole world

Ever since the founding of Rakuten, Inc. in 1997, we have made “Empowerment” our corporate philosophy and aimed to become the world’s leading Internet services company. We have developed an original, unique business model and grown to become the leading brand in Japan’s e-commerce market.

Rakuten’s key strength is the successful creation of a business model that satisfies consumers and merchants alike. At our foundation is Rakuten Ichiba, a merchant-centered, marketplace-based Internet shopping mall that is unique in the world. We have also successfully implemented in Japan initiatives based on the “Shopping is Entertainment” concept for the realization of the formula Happy Merchants + Happy Shoppers = Happy Commerce. This business model and expertise are being cross-implemented in the Rakuten Group’s overseas e-commerce marketplaces and generating tremendous synergies in the countries in which we operate.

With the e-commerce business as a source of stable earnings, we will work to create a global Rakuten ecosystem by undertaking global expansion of the continuously growing Internet Finance business and the Digital Content business, which we have designated as a third core business.



Leveraging Brand Power to Achieve Great Things in Fiscal 2013

From our company foundation in 1997 through to 2000, our first stage of development, we focused on building our corporate culture and a unique business model of Internet shopping. Our second stage, from 2001 through 2013, worked to establish solid brand power in Japan and lay a foundation on which to build a truly global company. We positioned 2013 as the final year of this stage of Rakuten's growth.

In Japan, the Tohoku Rakuten Golden Eagles professional baseball club won its first Japan Series championship in only its ninth season since establishment. Thanks to the resulting enhancement of the Group's brand power coupled with market expansion fueled by an increase in the number of e-commerce users, the Rakuten Group's gross transaction value exceeded ¥5.0 trillion for the first time. Domestic e-commerce gross merchandise sales (GMS) reached ¥1.7 trillion, just two years after first surpassing the ¥1.0 trillion milestone in Rakuten Ichiba in fiscal 2011. In the Internet Finance business, we established solid positions in Japan's financial markets for the credit card, securities, banking, and insurance businesses, and earnings capacity increased substantially.

Hiroshi Mikitani
Chairman and CEO

Rankings in Domestic IT-Related Markets

E-Commerce ¹ (B2C GMS)

- 1 **Rakuten Ichiba**
- 2 Amazon
- 3 Yahoo! Shopping

(FY 2013)

Travel ² (Domestic GTV)

- 1 JTB Group
- 2 **Rakuten Travel**
- 3 Nippon Travel Agency

(April 2012–March 2013)

Online Bank ³ (Accounts)

- 1 **Rakuten Bank**
- 2 Aeon Bank
- 3 Japan Net Bank

(as of Sep. 30, 2013)

E-Money Card ⁴ (Issued numbers)

- 1 **Edy (Rakuten)**
- 2 Suica (JR East)
- 3 WAON (Aeon)

(as of Sep. 30, 2013)

Source:1) Fuji-Keizai, 2) JTA, 3) Company disclosures, 4) Nikkei, Company disclosures

Message from the Chairman and CEO

In developments overseas, GMS in overseas marketplaces is steadily increasing as a result of the conversion of operations in each country to a marketplace-based business model and the introduction of success stories from Japan such as “Rakuten Super Points,” our loyalty points program, and Rakuten Super Sales.

As a result of these initiatives, in fiscal 2013 revenue was ¥518.6 billion (up 30% from the previous fiscal year), operating income before one-off items was ¥97.4 billion (up 22%), and net income was ¥43.5 billion (up 106%), all record highs.

In addition, Rakuten’s presence in the stock market was greatly enhanced in fiscal 2013. We changed the stock market listing from JASDAQ to the First Section of the Tokyo Stock Exchange in December 2013, and the stock was selected as a JPX-Nikkei Index 400 constituent issue. At the same time, we established a sponsored Level I American Depositary Receipt (ADR) program in the United States with the aim of increasing name recognition overseas and broadening the investor base.

“ We aim to speedily undertake creation of a global Rakuten Ecosystem to consist of three core businesses: Internet Services, Internet Finance, and Digital Content. ”

Initiatives and Growth Story for 2014

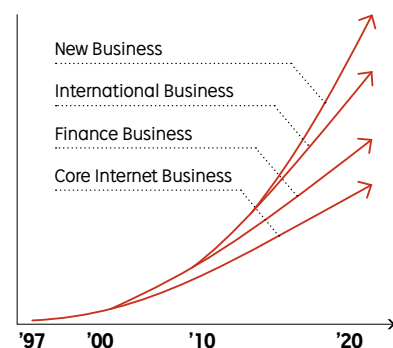
In 2014, global-scale transformation of behavior of people, definition of country, currency, national security, and media features is expected to advance beyond anything previously experienced. Notably, the importance of the Internet as social infrastructure is likely to further increase due to the spread of cloud services and smart devices.

Against this backdrop, the period, from 2000, when the company went public, to 2013, can be considered the second stage of Rakuten’s growth story. We consider the period beginning in 2014, when evolution of the Internet industry is expected to accelerate, as a third growth stage during which we aim to speedily undertake creation of a global Rakuten Ecosystem to consist of three core businesses: Internet Services, Internet Finance, and Digital Content. And, we strive to pursue long-term growth by undertaking the creation of high-value-added, safe and secure Internet services that anticipate constantly changing times.

In our domestic e-commerce business, we aim to accelerate our GMS growth with the firm membership platform, especially as a result of members newly acquired through Rakuten Super Sales and the Baseball Victory Sales.

In the overseas e-commerce businesses, as in Japan, our e-commerce consultants are providing strong support to merchants. In addition, we are

Rakuten Long-term Growth Vision



**Rakuten Ecosystem:
Three Pillars for Growth**



enhancing Rakuten University to enable merchants to study online sales techniques starting with the basics. We are also proceeding with introduction of Rakuten Super Sales and the Rakuten Super Points loyalty points program in overseas markets.

We are continuing efforts to deepen understanding among overseas employees of the Rakuten Group’s corporate culture and Rakuten Shugi in order to develop a global group structure characterized by strong desire to work together to achieve objectives on the basis of awareness of and pride in the Rakuten Group. At the same time, we are working to build strong brand power overseas. To that end, we are developing the regional headquarters system and further strengthening the governance structure, management structure, and R&D structure.

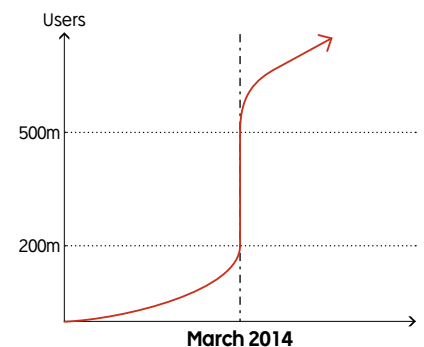
A key strength of the Rakuten Group’s internet Finance business is group synergies generated by the Rakuten Ecosystem. Rakuten Super Points, the Group’s shared loyalty points program, contributes to credit card member acquisition, and the financial services business is growing at an accelerated pace as a result of collaborative operations such as a highly convenient intra-group settlement system and Money Bridge, a service linking Rakuten Bank and Rakuten Securities accounts.

“ We will continue efforts to deepen understanding among all the overseas employees of the Rakuten Group’s corporate culture and Rakuten Shugi in order to develop a global group structure. ”

In September 2013, Rakuten acquired Viki, a U.S. company that operates a global video streaming service with 28 million monthly viewers, as a wholly owned subsidiary. Further enhancement of the Rakuten Ecosystem and acceleration of our three pillars growth, came in March 2014 when we acquired another wholly owned subsidiary, Viber Media, which operates mobile messaging and VoIP services with approximately 300 million global registered users around the world. We have developed the Rakuten Ecosystem, through which members are able to access a range of services through common ID numbers and the enormously popular and successful online Rakuten Super Points rewards program. Viber’s fun approach to messaging and high quality VoIP services is a perfect marriage with Rakuten’s Internet service offerings and its “Shopping is Entertainment” philosophy lays the foundation for the world’s most comprehensive and engaging daily online platform. The combination also opens massive new potential markets for Viber through Rakuten Group’s roughly 200 million global members.

At the same time, the company is implementing Project V4, cost reduction measures aimed at further profitability improvement. The aim of the project is to

Rakuten Group Membership*



* As of end of 2013: Rakuten Members (Japan) 90 million, Overseas E-commerce IDs 60 million, Viki MAU 28 million, Kobo IDs 18 million.

Message from the Chairman and CEO

achieve a cost reduction target of one billion yen per month by implementing four key initiatives: 1) cost reduction through optimization of expenses, 2) introduction of a global common e-commerce platform, 3) speedy, agile business operation by means of small teams, and 4) strengthening of business operation by changing management, if necessary.

“ We seek to balance a consistent dividend payout with maintaining a sound financial structure and providing internal reserves for future business development, ultimately to maximize corporate value.”

With Thanks and Gratitude to Our Investors and Shareholders

I would like to take this opportunity to once again express thanks and gratitude to our shareholders and other stakeholders, whose support made possible the Tohoku Rakuten Eagles' first Japan Series championship and the listing of Rakuten shares on the First Section of the Tokyo Stock Exchange in fiscal 2013. As an expression of our gratitude, we have decided to pay a year-end dividend of four yen per share, including one yen a commemorative dividend to celebrate these two gratifying milestones.

Under its basic policy for return of profit, the Rakuten Group will aim to consistently pay stable and increasing dividends, while fully aware of the necessity to maintain a sound financial structure, and to provide sufficient internal reserves, etc. for active business development in the future, with the ultimate aim to maximize its corporate value. I ask your continued steadfast support as we continue our efforts to increase corporate value and shareholder value.



Hiroshi Mikitani
Chairman and CEO

Message from the Executive Director of Finance Business

“All financial services aim to become No.1”



Masayuki Hosaka

Executive Vice President and Representative Director,
Executive Director of Finance Business

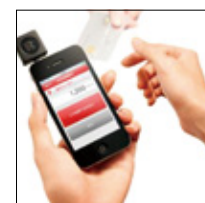
All Financial Services Aim to be Become No. 1 in Their Respective Industries

Shopping transactions through Rakuten Card are sharply rising, and stood at over ¥2.5 trillion in 2013. This was driven by synergies with Rakuten Ichiba and acceleration in cardholder acquisition thanks to Eagles Japan Series victory. However, Rakuten Card assumed to rank around No. 5 in the credit card industry in terms of shopping transaction value, so there is still enough room to catch up with the top players. The number of accounts at Rakuten Securities is currently positioned in second place among the five major online brokerage companies* in the industry. In this way, Rakuten's financial services have a great opportunity to become first place from now on. In future, all of them, not only Rakuten Card, but also Rakuten Securities, Rakuten Bank, Rakuten Edy, Rakuten Smartpay and Rakuten Insurance, are aiming to become No. 1 in their respective industries and to increase the presence of financial business in all Rakuten businesses.

*SBI SECURITIES Co., Ltd., Matsui Securities Co., Ltd., Kabu.com Securities Co., Ltd., Monex, Inc. and Rakuten Securities

Accelerating Expansion of the Rakuten Ecosystem

The “Money Bridge” service of Rakuten Bank and Rakuten Securities allows for the easy transfer of funds between accounts held with the bank and the securities firm, and it has generated great cash flow. In March 2014, Rakuten started exchanges between Rakuten Super Points and E-Money “Rakuten Edy.” Rakuten Card introduced the “Rakuten Super Business Loan” financing service to Rakuten Ichiba merchants in 2013. In these ways, while complying with regulations, we aim to provide a variety of financial services accessed by a single ID and password, which increases convenience. To this end, we are also enhancing each organization, such as the Finance Business Operations Office, to address this expanding direction. Rakuten will also further bolster its Rakuten Ecosystem in 2014.



Rakuten Smartpay:
Smartphone Payment
Service

A Day Will Come When Everyone Will Use Rakuten Cards as a Main Card

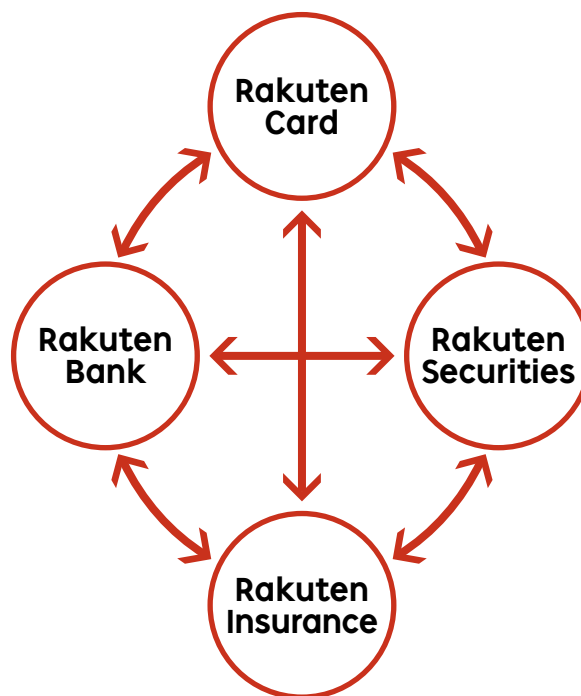
When Rakuten KC, now Rakuten Card, joined the Rakuten Group in 2005, the scale of business was so small that it was hard to imagine becoming No. 1 in the industry. Under such circumstances, I still remember telling employees that they had to break free of this attitude. I told them, “Right now, there are very few people who have Rakuten Cards, but there will come a time when it will become normal for everyone to have one.”

Back then, it seemed like an impossible dream, but that has changed now. According to the survey* of the cardholder ranking by each annual income category, Rakuten Card is ranked No. 1 among people of all annual income segments. I want everyone to believe that Rakuten Card will grow into a core business of the Rakuten Group. I also want everyone to be confident of Rakuten's ability to become a leader in the industry. This is on the verge of actually happening. One success will lead to another, triggering acceleration. 2014 will be a year in which the entire Financial Group will accelerate.

*Ranking in a special issue of a popular Japanese monthly magazine entitled, Card, E-money & Smartphone Effective Utilization

Review of Operations

Group Synergy



Internet Finance

Synergy

Higher Profits at Finance Business Operating Companies

In the Internet Finance business, Rakuten supports customers' lifestyles by enhancing services through group synergies. In fiscal 2013, both revenue and operating income increased substantially.

Credit Card Business: Rakuten Card was the top-ranked card in customer satisfaction for the fifth consecutive year* in March 2014. Rakuten card member acquisition accelerated thanks to active television advertising and various promotion campaigns. Card members grew by a net 54.7% YoY. Rakuten Card shopping transaction value reached ¥2.5 trillion.

Banking Business: The number of accounts at Rakuten Bank reached 4.5 million in fiscal 2013, the most of any Internet bank in Japan. Deposits and the balance of loan receivables also increased, exceeding ¥1.0 trillion and ¥230 billion, respectively. The bank has won Asian Banker magazine's Direct Bank award for three consecutive years. To meet the diverse funding needs of customers, the bank began offering Rakuten housing loans (floating interest rate loans).

Securities Business: Rakuten Securities achieved record-high profits in fiscal 2013, benefiting from buoyant stock market conditions. Domestic stock trading value had notable growth of 236.9% YoY. The company is steadily expanding its business operations, and as of the end of December 2013 the total number of accounts increased to 1.6 million, assets under management rose to ¥2.8 trillion and the investment trust asset balance rose to ¥333.1 billion. The Rakuten FX trading tool, "MarketSpeed FX Ver. 1.3" was newly released after MarketSpeed FX received a Good Design Award in 2012.

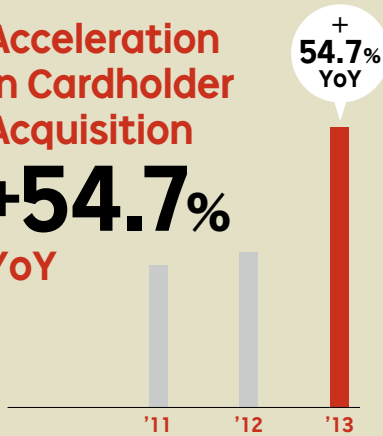
Others: E-money service provider Rakuten Edy upgraded functions of its Rakuten Edy Smart Coupon and Itsudemo Edy Charge services and increased the number of available locations to 370,000 to raise user convenience. AIRIO Life Insurance changed its name to Rakuten Life Insurance in April 2013, and the number of policies is steadily increasing, rising 25% in fiscal 2013.

Expanding Group Synergies

The Internet Finance business benefits enormously from synergies within the Rakuten Ecosystem. Rakuten Super Points, the Group's loyalty points program, contributes to credit card member acquisition, and rapid financial services business growth is supported by a convenient intra-group settlement system and Money Bridge, which links Rakuten Bank and Rakuten Securities accounts.

Acceleration in Cardholder Acquisition

+54.7%
YoY



Rakuten Card

Shopping transaction value exceeded

¥2.5 trillion

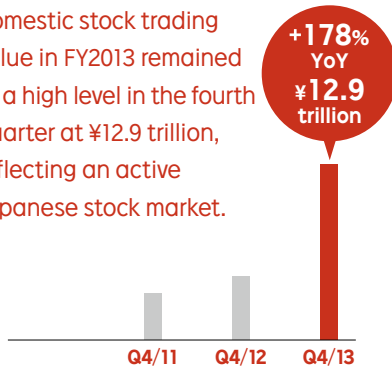
and revolving balance

¥215 billion



Rakuten Securities

Domestic stock trading value in FY2013 remained at a high level in the fourth quarter at ¥12.9 trillion, reflecting an active Japanese stock market.



Forex Rate



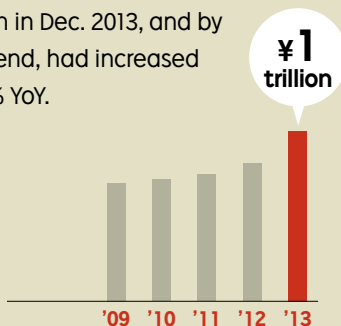
Rich Charts

Quick Order for FX



Rakuten Bank

Deposits reached a record ¥1 trillion in Dec. 2013, and by year end, had increased 23.9% YoY.



Rakuten Bank's "Super Loan"

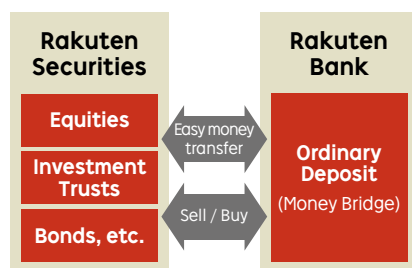
¥237 billion

and Super Loan Customers Reached

297,500

Money Bridge Service

Make securities investment easily and anytime, using Money Bridge account.

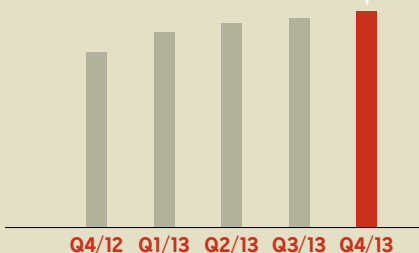


Rakuten Life Insurance

No. of Policies

+25.2% YoY

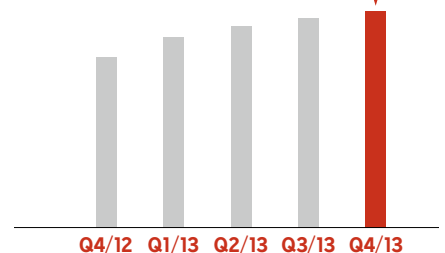
226
thousand contracts



Annualized Insurance Premiums

+28.9% YoY

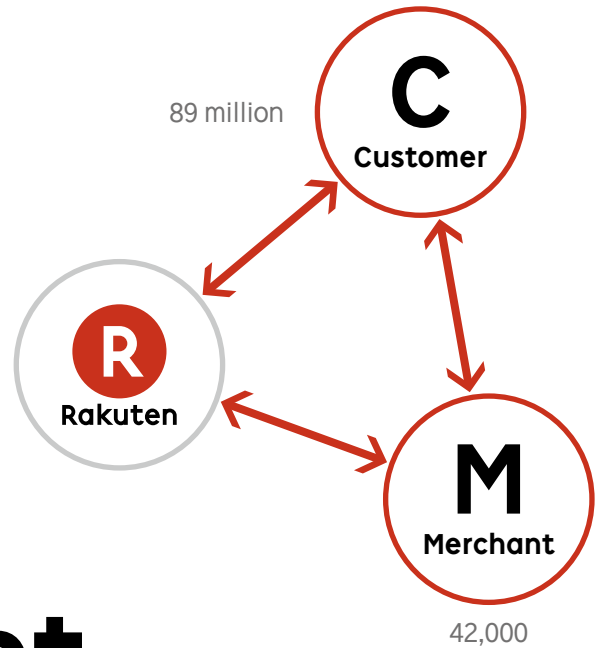
¥6,689
million



* excl. mutual and association

Review of Operations

Value Creation



Internet Services

Improvement

Penetration of the Rakuten Brand in Japan

Since it opened in 1997, Rakuten Ichiba has enjoyed tremendous support from merchants and users and domestic e-commerce gross merchandise sales (GMS) has reaccelerated from 15.4% in 2012 to 19.8% in 2013 as the top e-commerce brand in Japan. Rakuten's selection as Japan's leading Web brand for three consecutive years in Nikkei BP Consulting's Web brand survey attests to the power of the brand.

In fiscal 2013, the Rakuten Nihonichi Sale held to commemorate the Rakuten Eagles' Japan Series championship greatly boosted the power of the Rakuten brand and contributed to new user acquisition at Rakuten Ichiba. Domestic e-commerce GMS has continued its steady rise, reaching ¥1.7 trillion in fiscal 2013. GMS per merchant at Rakuten Ichiba has also shown stable growth and quarterly Ichiba GMS exceeded ¥10 million for the first time. Rakuten Ichiba continues to be an attractive and healthy mall for merchants and all users.

Furthermore, Rakuten is working to provide a safe and secure shopping environment, working together with merchants to establish a premium mall where users can shop with peace of mind. Initiatives include formation of the Rakuten Ichiba Quality Enhancement Committee and the introduction of a settlement agency system by which Rakuten serves as a receiving agent for payments from users in January 2014.

In addition, the spread of smart devices has led to a rapid increase in Rakuten Ichiba transactions made using smart devices, and Rakuten Ichiba GMS via smart devices such as mobile and tablet grew by 50.7% YoY.

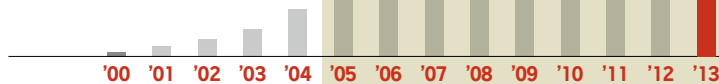
At Rakuten Travel, gross booking transaction value rose 15% year on year to ¥547.3 billion resulting from strong leisure travel sales, car rentals, and inbound services.

Expanding the Overseas E-Commerce Business

Overseas marketplace GMS is steadily increasing as a result of the nurturing of operations in each country to a marketplace-based business model and the introduction of success stories from Japan, such as the loyalty points program and Rakuten Super Sales. In fiscal 2013, Rakuten opened Internet shopping malls, Rakuten.es Shopping in Spain in October 2013 and Rakuten.com.sg in Singapore in January 2014, spurring additional organic growth.

Domestic E-Commerce GMS Surpassed

¥1.7 trillion
in 2013



Q4/2013

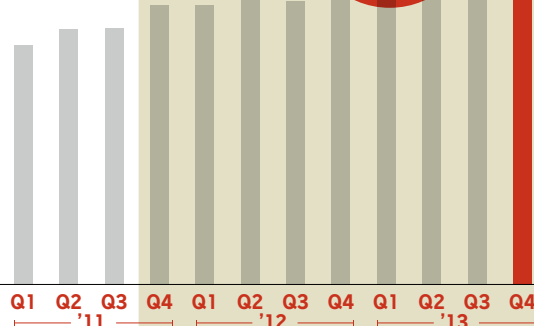
15.5 million

Number of Unique Buyers*

Rakuten unique buyers increased 18.6% YoY to more than 15.5 million.

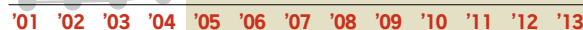


* Unique buyers: Number of buyers sorted by e-mail address with purchasing records during the listed 3-month period.



Growth of Mobile GMS in Rakuten Ichiba

2001=1

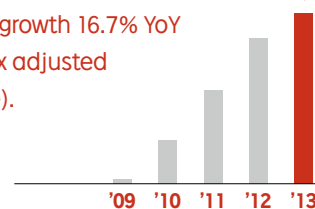


Over
1,000
times

Growth of Overseas Marketplace GMS

Super Sales and other Ichiba events proving successful overseas; marketplace GMS growth 16.7% YoY (forex adjusted base).

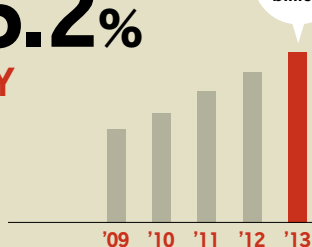
¥65.3 billion



Rakuten Travel's Gross Booking Transaction Value Increased

15.2%
YoY

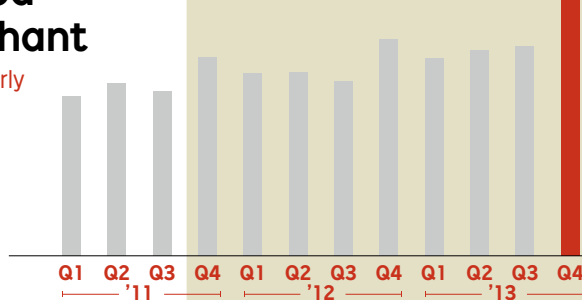
¥547.3 billion



Rakuten Ichiba GMS per Merchant

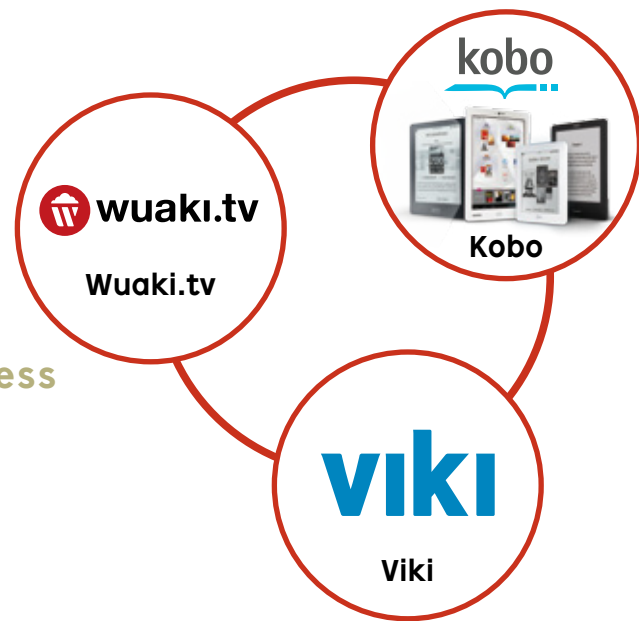
Rakuten Ichiba's quarterly GMS per merchant exceeded ¥10 million, increasing 18.3% YoY.

Q4/2013
¥10.5 million



Review of Operations

Content Business



Digital Content

Promise

A New Linchpin for Growth

Rakuten has positioned the digital content business as a new mainstay of growth. Following the acquisition in 2012 of e-book subsidiary Kobo and the Spanish video streaming company Wuaki.TV, in September 2013 Rakuten acquired wholly owned subsidiary Viki, an innovative video streaming company in the U.S. Rakuten is accelerating full-scale global expansion of the digital content business.

Expanding the E-book Business Worldwide

Kobo's user base has grown from 7 million at the time of its acquisition by Rakuten in January 2012 and surpassed 18 million in December 2013. The number of titles has increased to 4 million, and the company now provides services in 190 countries around the world. In fiscal 2013, Kobo actively pursued business expansion by means including the opening of One Store, a portal store for magazines and children's titles, and the introduction of an Android tablet and other new devices. Kobo worked to boost sales in Japan as well, opening an e-book store within Rakuten Books.

Accelerating the Global Content Strategy

New Rakuten Group member Viki provides a unique service involving distribution of TV programs, movies, and other content from around the world subtitled by fans on a voluntary basis. Monthly viewership has surpassed 28 million, and the company distributes entertainment popular among a wide range of viewers. Viki's community of viewers have crowdsourced subtitles in more than 160 languages and translated more than 400 million words to date. Future plans call for expansion of Viki's business globally.

In addition to opening up new markets through digital content services, Rakuten will pursue expansion of a global Rakuten Ecosystem by leveraging group synergies. In March 2014, Rakuten acquired a wholly owned subsidiary Viber Media, operator of mobile messaging and VoIP services around the world, as a platform for global content business.



Number of users exceeded

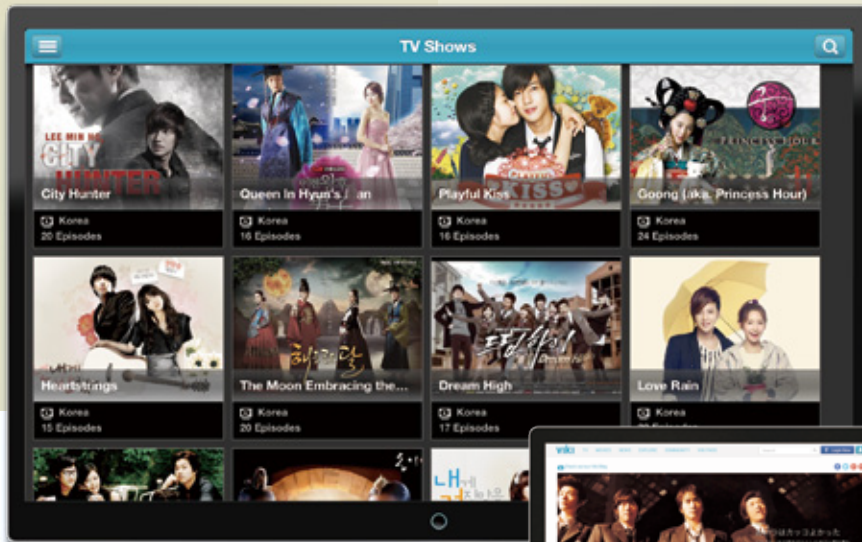
18 million

from more than 190 countries.

Kobo's global content revenue increased rapidly at

42.1% YoY

One Store



Viki

Viki is a one-of-a-kind company with an entirely unique approach to video streaming that is truly global and truly engaging. Their smart and creative approach is bringing popular content to global audiences.



Viki User Growth

Jan/12 Jan/13 Dec/13

Wuaki.tv

Wuaki.TV, S.L., provides on-demand video services, featuring its premier movie catalog and a unique hybrid payment model in Europe. Wuaki.TV is growing internationally in synergy with Rakuten Group.

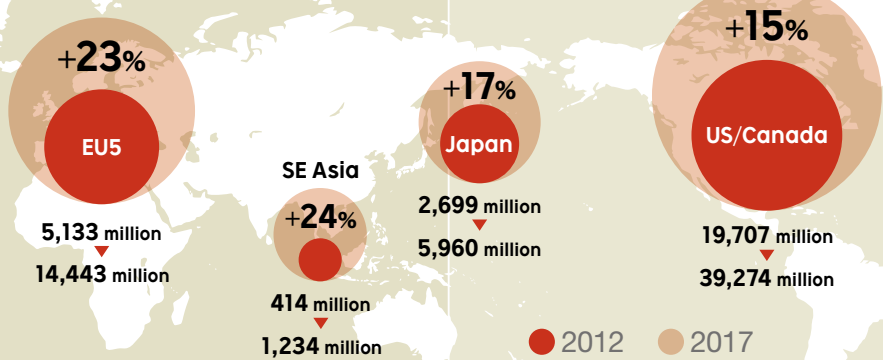


Monthly Active Users (millions)

28 million



Global Digital Content Market



Swelling Digital Content Usage

Rakuten entered the global digital content arena in 2012 by acquiring Kobo Inc., one of the world's fastest-growing eReading services. Since then, international digital content use has accelerated, driven by customer-oriented content, complimentary Group synergies and multiple delivery platforms.

UV=Monthly Active Users (MM)

Source: PwC

Financial Highlights (IFRS)

	Millions of yen			Thousands of U.S. dollars (Note 1)	
	2011	2012	2013	2013	
Income and Loss					
Revenue	¥ 346,425	¥ 400,444	¥ 518,568	\$ 4,920,466	
Operating Income before one-off items (Note 2)	76,136	79,758	97,376	923,960	
Operating income	644	50,055	90,244	856,283	
Net income	9,631	21,136	43,481	412,576	
Cash Flows					
Net cash flows from operating activities	¥ 35,222	¥ 104,687	¥ 1,485	\$ 14,087	
Net cash flows from investing activities	60,260	67,444	30,584	290,200	
Net cash flows used in financing activities	(47,405)	(56,820)	75,252	714,030	
Assets and Liabilities					
Total assets	¥1,959,765	¥2,287,634	¥3,209,808	\$30,456,477	
Total liabilities	1,747,419	2,045,722	2,903,354	27,548,667	
Total net assets	212,346	241,912	306,454	2,907,814	
			Yen	U.S. dollars	
Earnings Per Share Attributable to Owners of the Company					
Net income (basic)	¥ 6.08	¥ 15.59	¥ 32.60	\$ 0.31	
Net income (diluted)	6.06	15.56	32.41	0.31	

Notes: 1. U.S. dollar figures have been translated from yen, for convenience only, at the rate of ¥105.39 to US\$ 1, the approximate rate of exchange at December 31, 2013.
 2. Rakuten changed its accounting standard for reporting financial results from JGAAP to IFRS, including extraordinary profit/loss in operating income, to help investors understand our ability to generate underlying operating profits from our business operations. Operating income before one-off items is shown above.

Overview

16th consecutive year of revenue growth

In the consolidated financial results for fiscal 2013, revenue increased by 29.5% to ¥518.6 billion year on year and operating income before one-off items increased by 22.1% to ¥97.4 billion.

19.8% year-on-year increase in domestic e-commerce gross merchandise sales

High growth continues in the domestic e-commerce business, with gross merchandise sales (transaction value) of

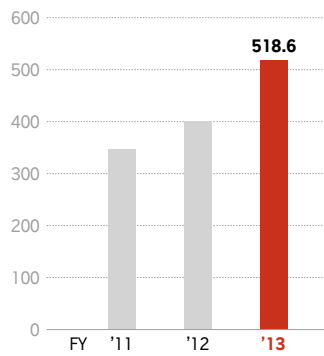
Rakuten Ichiba and other services increasing 19.8% year on year in fiscal 2013.

Substantial increase in income from Internet Finance

In the Internet Finance business, income grew at an accelerated pace owing to active efforts to strengthen the customer base centered on Rakuten Card, which produces striking synergies with Internet services.

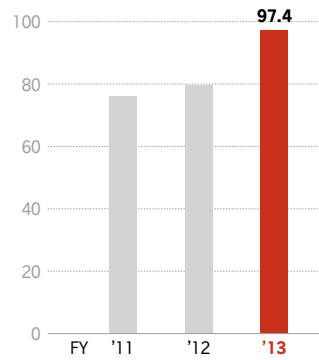
Revenue

(Billions of yen)



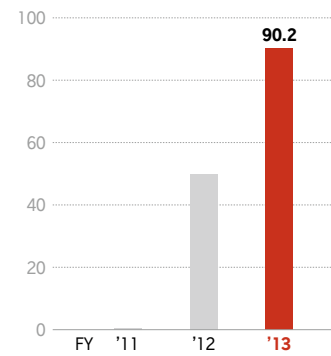
Operating Income before One-Off-Items

(Billions of yen)



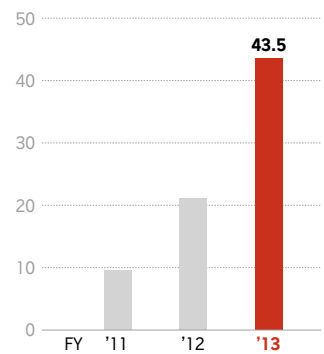
Operating Income

(Billions of yen)



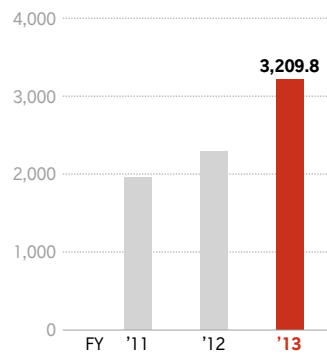
Net Income

(Billions of yen)



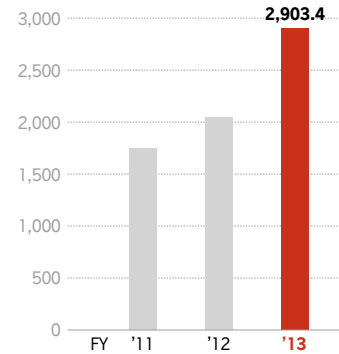
Total Assets

(Billions of yen)



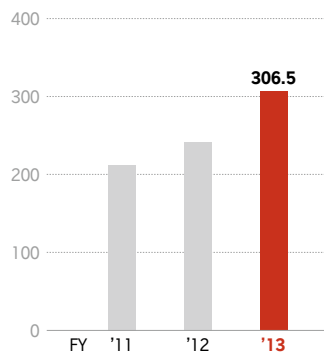
Total Liabilities

(Billions of yen)



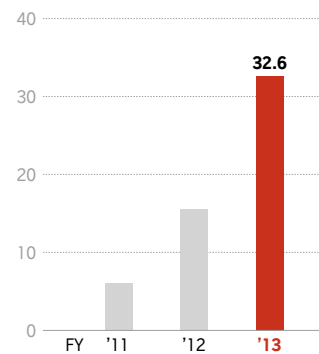
Total Net Assets

(Billions of yen)



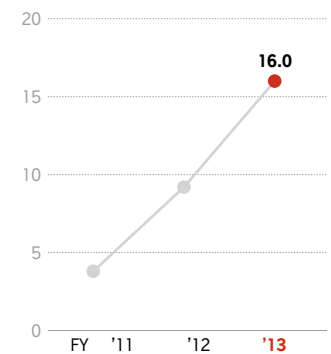
Earnings per Share (basic)

(Yen)



Return On Equity

(%)

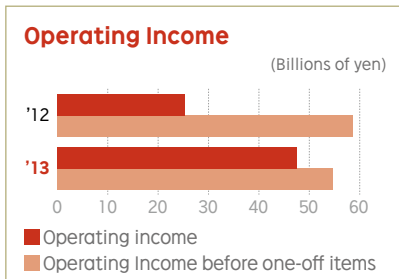
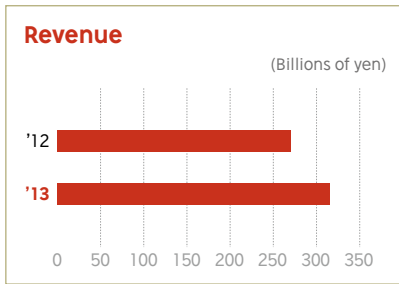


Internet Services

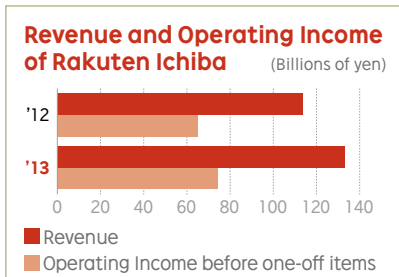
Contribution to revenue:
57.1%

YoY change in revenue:
16.6% increase

YoY change in operating income:
87.5% increase



The Internet Services segment consists of the e-commerce business, travel business, overseas e-commerce business, e-book business, and other domestic and overseas Internet services. Revenue for the segment was ¥315.2 billion, rising by 16.6% year on year. The contribution ratio to total revenue was 57.1%. Segment operating income increased by 87.5% to ¥47.5 billion thanks to a healthy increase in income from existing businesses, despite continued forward-looking investments in future growth sectors.

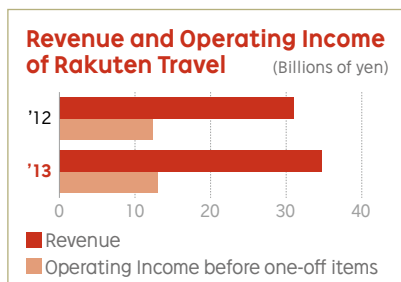


Rakuten Ichiba

E-commerce transacted using smart devices is taking hold at Rakuten Ichiba, as indicated by a 50.7% increase year on year in gross transaction volume via mobile devices and tablets. In this business environment, Rakuten successfully implemented activities such as personalized marketing utilizing big data analysis, Rakuten Super Sale large-scale sale events, and a sale to commemorate the Tohoku Rakuten Golden Eagles' first Japan Series championship and utilized these activities to acquire new users. The number of new buyers increased by 50% year on year in the fourth quarter, the number of unique buyers rose to more than 15.5 million, and domestic e-commerce gross merchandise sales continue to grow at a high rate. Consequently, revenue from Rakuten Ichiba increased by 20.7% to ¥137.3 billion. Operating income before one-off items increased by 13.4% to ¥73.8 billion.

Rakuten Travel

Rakuten Travel is a travel services company that ranked second in domestic travel revenue among travel agents in Japan in fiscal 2012*. The company saw strong



demand for leisure travel sales, car rentals, and inbound services (booking services from foreign-language websites), and gross booking transaction value grew by 15.2% year on year to ¥547.3 billion. Although revenue at Rakuten Travel rose by 11.8% to ¥34.7 billion year on year, operating income before one-off items increased by 5.0% to ¥13.0 billion, reflecting investment to strengthen marketing.

*Source: Japan Tourism Agency, "Fiscal 2012 Annual Total Revenue of Major Travel Agents "

Other Internet Services

Overseas Businesses

In the overseas e-commerce business, Rakuten focused on marketplace-model services and cross-implemented strategies and expertise that have proven successful in Japan, such as the loyalty points program and Rakuten Super Sales. As a result, overseas operations contributed to business expansion, with GMS for these services growing by 16.7% to ¥65.3 billion.

Logistics

Rakuten has decided to consolidate Rakuten Fulfillment Center (RFC) sites for the purpose of reinforcing collaboration with the e-commerce business and optimizing the logistics network. Other domestic e-commerce performance is steadily growing.

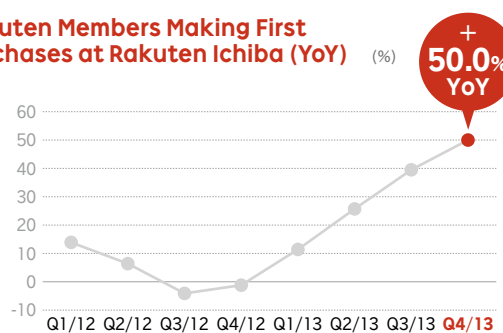
Digital Content Services

Rakuten positions digital content services as one of the pillars of its future growth strategy. To strengthen these services, Rakuten offered new products and services through the Kobo e-book service and video streaming services "Viki." Meanwhile, while medium-to long-term profit growth is expected, Rakuten plans to make strategic advance investments in these services, for which, profit is expected to grow in future.

Rakuten Super Sale

The first Rakuten Super Sale was held in March 2012 as the largest sale and loyalty points campaign event ever at Rakuten Ichiba. In the eighth Super Sale, held in March 2014, GMS reached a record high of ¥64.4 billion. The Super Sale has developed into a major sale event involving a variety of Rakuten Group services, centered on Rakuten Ichiba. The Super Sale's appealing user incentives such as products discounted with extra points, and up to 20-times more points for use of the Rakuten Card or purchasing at multiple shops have been highly successful. Super Sales motivate new users to try Rakuten products and services for the first time, and the number of first-time purchasers

Rakuten Members Making First Purchases at Rakuten Ichiba (YoY) (%)



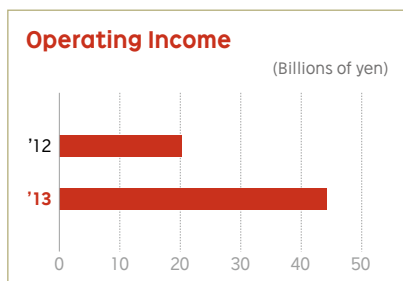
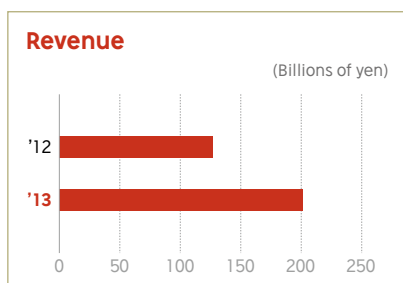
at Rakuten Ichiba increases during sales. To further boost revenue from Super Sales and increase user satisfaction, Rakuten will implement measures to assist merchants in increasing their sales.

Internet Finance

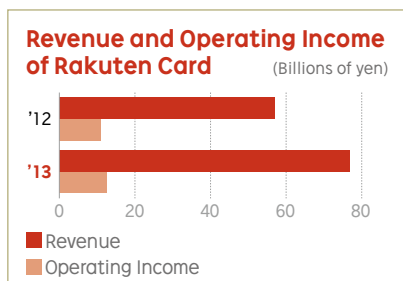
**Contribution
to revenue:
36.5%**

**YoY change
in revenue:
59.2% increase**

**YoY change in
operating income:
117.8% increase**



The Internet Finance segment consists of credit cards, banking, securities, e-money, insurance, and others. Revenue from the segment was ¥201.5 billion, an increase of 59.2% year on year. The contribution to total revenue was 36.5%, the ratio is getting larger due to enhanced synergy within Internet Services. Segment operating income increased by 117.8% to ¥44.2 billion. Each business continues notable growth in both revenue and profit.

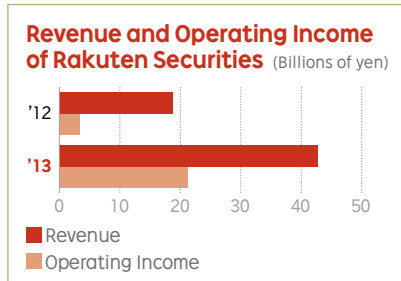


Rakuten Card

At Rakuten Card, a provider of credit card-related services, the number of credit card members showed a sharp fourth-quarter net increase of 80.7% year on year partly attributable to the impact of various promotion campaigns. For the year, the number of card members rose by 54.7% as new cardholder acquisition proceeded favorably, partly as a result of the advertising effect of the baseball championship. The credit card utilization rate was stable, shopping transaction value increased substantially year on year by 41.7% to ¥2.6 trillion, and the revolving balance rose by 33.2% to ¥214.8 billion. Revenue at Rakuten Card increased by 35.1% to ¥76.8 billion, while operating income increased by 14.6% to ¥12.5 billion.

Rakuten Securities

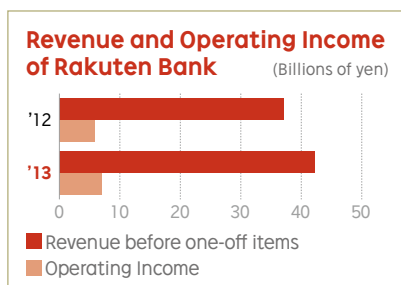
Rakuten Securities offers one of the most extensive ranges of investment trusts in Japan. As of March 2014, the number of investment trusts surpassed 1,500. The balance of investment trusts increased satisfactorily thanks to a diversity of products that includes foreign stocks, real estate, and bonds in addition to leading Japanese



stocks, and the year-end balance rose by 60.8% to a record high of ¥334.1 billion. Supported by the buoyant stock market in Japan, revenue at Rakuten Securities increased by 129.4% to ¥42.8 billion, and operating income surged by 530.9% to ¥21.3 billion.

Rakuten Bank

At Rakuten Bank, Rakuten Bank Super Loan receivables showed a solid increase, with the balance of loans outstanding at the fiscal year-end increasing by 30.6% year on year to ¥237.4 billion. The number of loan customers grew by 37.5% to reach 297,500. The bank successfully prepared and provided products attractive to customers, such as offering ordinary deposits with preferential interest rates to customers who register for the Money Bridge service, which links bank accounts with Rakuten Securities accounts. The year-end deposit balance rose by 23.9% to ¥1,008.8 billion, surpassing the ¥1 trillion milestone for the first time. As a result, revenue at Rakuten Bank increased by 14.1% to ¥42.4 billion, and profit growth reaccelerated, with operating income increasing by 19.3% to ¥7.1 billion.



Rakuten Life Insurance

Rakuten Life Insurance got off to a new start in April 2013 as a hybrid life insurance company that offers insurance through both the Internet and insurance agent channels. The number of insurance policies steadily increased thanks to the strength of the Rakuten brand and synergies generated by the Rakuten Ecosystem. Approximately 73,000 new policies were issued during the fiscal year, and the total number of policies at the fiscal year-end rose by 25.2% year on year to approximately 226,000. Revenue at Rakuten Life Insurance was ¥27.0 billion, and operating income was ¥1.1 billion.

Rakuten Smartpay

Released in December 2012, Rakuten Smartpay is a service that converts a smartphone into a credit card reader, upon plugging a small credit card reader into the earphone jack of a smartphone. Rakuten offers a revolutionary credit card transaction service with three key strengths for those self-employed and small business owners who until now had put off signing up with a credit card company: a low-cost card reader, a speedy credit cycle (payments received in designated Rakuten Bank accounts the next day), and a flat transaction charge of 3.24%.

Bringing more satisfaction to more customers, equipped card readers will be able to accept JCB,



American Express, Diners Club and Discover credits cards starting from 2013, where in the past they had only accepted Visa, MasterCard, and Rakuten Card, the largest brand line up of the industry.

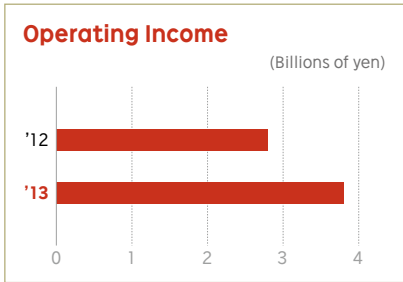
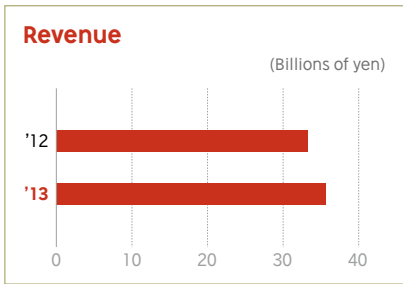
In October 1, 2013, Rakuten, Inc., received the 2013 Good Design Award and entered into the Good Design Best 100 (Japan Institute of Design Promotion) for Rakuten Smartpay.

Others

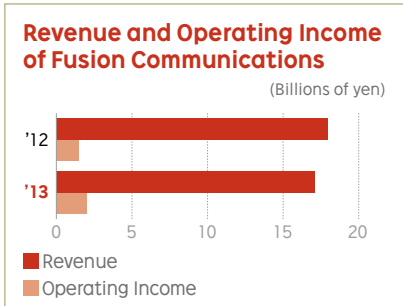
Contribution to revenue:
6.4%

YoY change in revenue:
7.4% increase

YoY change in operating income:
33.2% increase



The Others segment consists of telecommunications (Fusion Communications), professional sports, and weddings. Revenue for the segment was ¥35.7 billion, a rise of 7.4%. its contribution ratio to revenue was 6.4%. Segment operating income increased by 33.2% to ¥3.8 billion thanks to the first victory of the Tohoku Rakuten Golden Eagles baseball club in the Nippon Series.

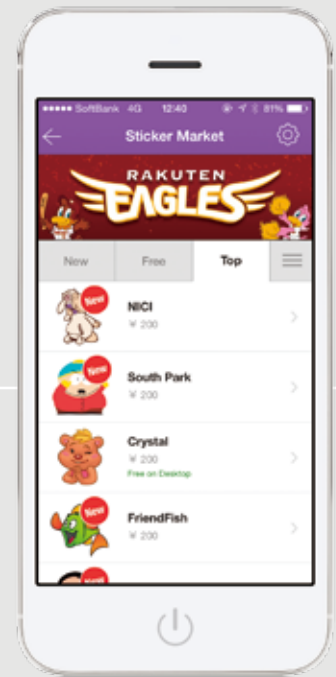


Telecommunications Services

Fusion Communications, a provider of telecommunications services, steadily expanded its business in fiscal 2013. For instance, downloads of Rakuten Denwa, a low-price voice calling service for smartphone users launched in December 2013, exceeded 250,000 in just 16 days. The company's operating income developed favorably as well.

Rakuten Baseball

The Tohoku Rakuten Golden Eagles baseball club, which captured its first Japan Series championship in its ninth season, achieved an 8.8% increase in attendance to a record high of 1,281,000. In addition, merchandise-related sales rose sharply thanks to a commemorative sale held at shops operated by the team and Rakuten Ichiba. As a result, this division became profitable.



Acquisition of Viber

Rakuten acquired Viber, a pioneering global messaging and VoIP company, in March 2014. Viber has over 345 million global registered users. The main purpose to acquire Viber is to strengthen Rakuten's global platform through the use of Viber's range of customers in our Internet Services and Digital Content businesses.

As of the end of 2013, the Rakuten Group has approximately 200 million users, comprising some 90 million Rakuten members in Japan, 60 million overseas E-Commerce IDs, 28 million Viki MAUs, and 18 million Kobo IDs. After the acquisition of Viber, Rakuten Group membership jumped to 500 million users. With the synergy of using Viber's user base, there should be great possibilities to grow our membership business globally.

Growth Strategy

Rakuten believes that it can grow both Viber, as a stand-alone business, and our existing businesses by implementing three major stages of growth. First, growing Viber's stand-alone business such as voice (Viber Out), stickers, and games. Second, realize business potential through synergies with Rakuten. And third, full integration of Viber into the Rakuten Ecosystem, with Rakuten making full use of Viber's product advantages.

Recently, Viber has started to charge for Viber Out calls and stickers. Viber has been accelerating its growth strongly and is rapidly expanding its user base with competitive pricing. Currently, Viber is developing a games platform.

The next strategy is to grow globally through synergies between Viber and Rakuten. Rakuten aims to increase its global user base where it has e-commerce services or Viber has a strong user base. Viber can create synergies with all of Rakuten businesses, including Internet Services, Internet Finance, Digital Content and Others. Rakuten has developed the Rakuten Ecosystem and members are able to access a range of services through common ID numbers and the enormously popular and successful online Rakuten Super Points rewards program. Now Viber is developing various service tie-ups with Rakuten.

Viber incorporates all popular features in the messaging & VoIP field and supports all major operating systems and platforms. Also, Viber apps on smartphones allow users to have conversations, and through its high quality functions users can send and receive messages and images, thus Viber offers a hybrid range of services rarely found on competing platforms.

Viber's fun approach to messaging and high-quality VoIP services marry perfectly with Rakuten's Internet service offerings and its "Shopping is Entertainment" philosophy, laying the foundation for the world's most comprehensive and engaging daily online platform.

Value Creation for Sustainable Growth

Our Vision

“Empowerment” — Empower Japan. Empower the World.

<http://global.rakuten.com/corp/sustainability/>

Corporate Philosophy

“Empowerment” of individuals and society through the Internet

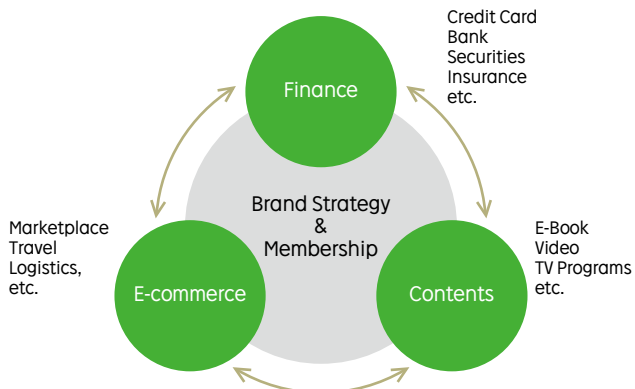
From the day Rakuten was founded, we have dedicated ourselves to empowering people and society through the Internet. This principle has driven the growth and development of our business and is reflected in the mission “Empower Japan. Empower the world.” A commitment to contributing to society through our business activities is our most important value. To achieve sustained growth for Rakuten and a sustainable society, each Rakuten Group employee in Japan and overseas shares common values and puts the corporate philosophy into practice with a powerful sense of mission.

Our Value Creation Model

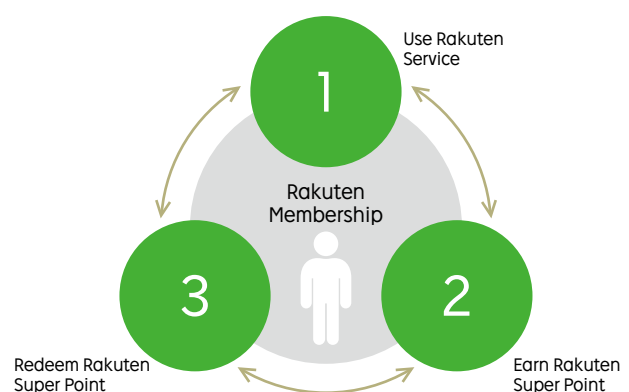
“Rakuten Ecosystem” — a globally pioneering business model

The Rakuten Ecosystem, our unique business model, consists of three core businesses: Internet Services, Internet Finance, and Digital Content. It is a user-friendly business model based on the concept “Single brand, single membership,” under which Rakuten members are issued a single global Rakuten ID that provides access to a wide variety of services offered by the Rakuten Group. In addition, by promoting member migration within the Ecosystem through the Rakuten Super Points reward program, we seek to maximize profit per member and simultaneously aim to maximize corporate value by creating cross-business synergies.

Rakuten Ecosystem



Rakuten Membership



Our Brand Value on Customer Satisfaction

Maximization of lifetime value per member

Through the Rakuten Ecosystem, we utilize a member database, a key business asset, to provide services that are fun and convenient for Rakuten members and pursue synergies among our businesses, including expansion of gross merchandise sales (transaction value) and maximization of lifetime value per member. In addition, under the concept of “Shopping is Entertainment,” we constantly develop new services, such as our reward program and customer review system, that make shopping a pleasant and entertaining experience for members. The results of these efforts are reflected in the high scores achieved by Rakuten Group companies in customer satisfaction surveys in Japan and overseas.

Forbes 2013 World's Most Innovative Companies

Forbes Ranking	
1 Salesforce.com	6 Baidu
2 Alexion Pharmaceuticals	7 Amazon.com
3 VMware	8 Intuitive Surgical
4 Regeneron Pharmaceuticals	9 Rakuten
5 ARM Holdings	10 Natura Cosmeticos



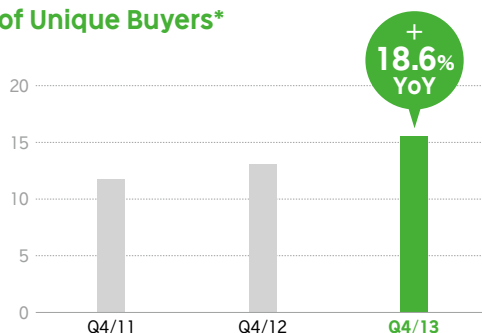
Our Membership

Results of value creation

Accompanying enhancement of brand value, the number of Rakuten members is increasing dramatically, with membership in Japan exceeding 89.7 million at the end of 2013. The number of unique buyers, members who have purchased multiple services during a quarter, exceeded 15.5 million in the fourth quarter of 2013. In addition, the cross-use ratio, the percentage of users of services for which Rakuten Super Points are awarded who also use other services, reached 55.4%. These figures clearly indicate that impact of the Rakuten Ecosystem business model.

Number of Unique Buyers*

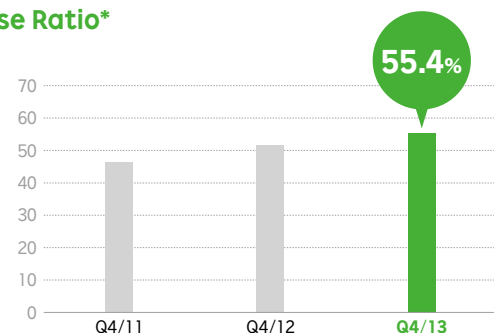
(Million)



* Unique Buyers: Number of buyers sorted by e-mail address with purchasing records during the listed 3 month period.

Cross-use Ratio*

(%)



* Purchasing ratio of Rakuten members who have utilized two or more Rakuten services during the past 12 months of the listed month. Applicable services are limited to those which can earn Rakuten Super Points.

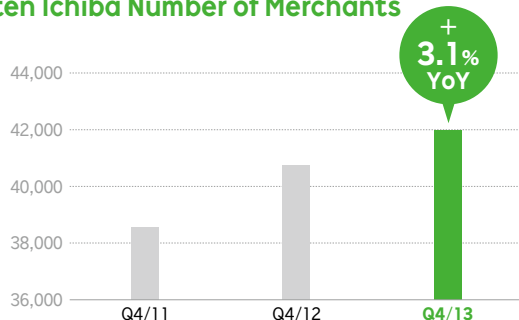
Value Creation for Sustainable Growth

Investments for Growth

Various supports for partners

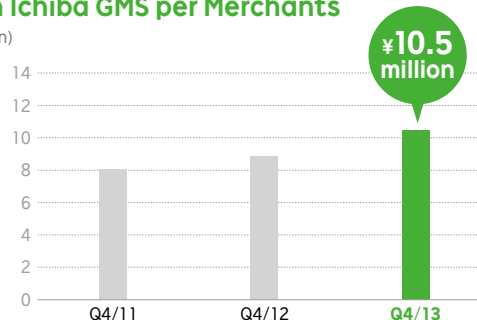
We consider our business partners, who have worked alongside us and shared in our success, to be essential to the Rakuten Group's growth. Since the opening of Rakuten Ichiba in 1997, we have provided various forms of support for merchants. We provide consulting services for Rakuten Ichiba merchants through EC consultants, whose task is to help our business partners increase their sales and solve problems affecting their activities. In addition, we opened Rakuten University in 2000 as a provider of EC service expertise for merchants. Furthermore, we hold Rakuten Conferences and Rakuten Expos twice a year at six locations across Japan. We utilize these events as forums for sharing with merchants our business strategy for Rakuten Ichiba and communication between our business partners.

Rakuten Ichiba Number of Merchants



Rakuten Ichiba GMS per Merchants

(Millions of yen)



Development of safe and reliable systems

The Rakuten Group, a provider of wide-ranging Internet-based e-commerce and financial services, emphasizes research and development of state-of-the-art technologies in order to constantly provide innovative new services to consumers and merchants. We engage in pioneering technical development, such as development of applications for mobile phones, which have rapidly evolved in recent years, and expansion and upgrading of services that apply cloud technology. In addition, big data that combines more than 150 million product items provided by approximately 42,000 merchants and member information on more than 89 million users is utilized on Rakuten Ichiba. To ensure safe, secure, highly convenient transactions, we constantly apply the latest technologies to update our settlement and delivery systems. We consider information security assurance to protect customers' personal information and other information assets a key management priority and continuously reinforce information security.

Information Security Policy

1. Establishment of the Information Security Management System
2. Appropriate management of Information Assets
3. Establishing Regulations, etc. for ensuring Information Security
4. Compliance with laws and norms
5. Continuous improvement

Initiatives for Information Security Enhancement

1. Our effort with ISO/IEC 27001
2. Privacy Mark Certification

Support and education for employees

Rakuten provides a variety of information-sharing opportunities to enable all Rakuten Group employees to work toward the same goal as members of one big team. Forums for information sharing include morning meetings held at 8 a.m. every Tuesday and half-yearly operating plan presentation meetings streamed live to over 50 offices in Japan and overseas so that all employees are able to attend.

In addition, the Englishnization Project launched in 2012 to make English the official language throughout the Rakuten organization has steadily produced results, and more than 90% of Japanese employees have attained their target TOEIC scores. This initiative has contributed to the recruitment of personnel from overseas, and in fiscal 2013 approximately 30% of new recruits in Japan were foreign nationals. This has yielded tremendous benefits, including the recruitment of highly capable engineers and activation of communication with overseas subsidiaries.

Englishnization

The average TOEIC score of Rakuten employees has jumped over 40% (more than 200 points) in three years.

+ 200 points

About 30% of new staff recruits at Tokyo HQ in 2012-13 have been non-Japanese

30%

CSR Topics

The TOMODACHI Project – The Power of Music

This was an activity held in New York on March 10, 2014. The project organized an opportunity for five students from Fukushima Prefecture, to visit a music school in New York to take part in an exchange program with local high school students involving music. Rakuten launched the program in commemoration of “Tokyo Philharmonic Orchestra The 100th Anniversary World Tour 2014 in NY.” It was held as part of “TOMODACHI Project” led by the U.S. Government and the US-Japan Council. Rakuten Group has been supporting the project as CSR.



Rakuten is recognized in METI's Diversity Management Selection 100 Program

Rakuten was among the companies selected for the 2013 Diversity Management Selection 100, a program of Japan's Ministry of Economy, Trade and Industry (METI) to recognize companies that have achieved corporate value enhancement through management practices that promote diversity. Rakuten was recognized for initiatives such as the active hiring and promotion of foreign nationals, promotion of English as the Rakuten Group's official language, and establishment of a global personnel system as well as the sharing of information and technologies across borders and cultures and proactive engagement in management practices that promote diversity and enable personnel from diverse backgrounds to grow and succeed together. To continue to grow as a truly global company, Rakuten will continue to implement management practices that promote diversity so that each and every employee can demonstrate his or her abilities and participate in innovation and value creation.



Board of Directors and Company Auditors (As of April 22, 2014)



Hiroshi Mikitani
Chairman and CEO



Masayuki Hosaka
Executive Vice President and
Representative
Director



Yoshihisa Yamada
Executive Vice President,
Representative Director and
CFO



Masatada Kobayashi
Managing Executive
Officer and Director



Toru Shimada
Managing Executive Officer
and Director



Akio Sugihara
Managing Executive Officer
and Director



Kazunori Takeda
Managing Executive Officer
and Director



Kentaro Hyakuno
Managing Executive
Officer and Director



Hiroaki Yasutake
Managing Executive Officer
and Director



Charles B. Baxter
Director



Koichi Kusano
Director



Ken Kutaragi
Director



Hiroshi Fukino
Director



Jun Murai
Director



Joshua G. James
Director



Yoshiaki Senoo
Company Auditor



Takeo Hirata
Company Auditor



Katsuyuki Yamaguchi
Company Auditor

Managing Executive Officers (As of April 22, 2014)



Takahito Aiki
Managing Executive Officer



Koji Ando
Managing Executive Officer



Yuji Kusunoki
Managing Executive Officer



Masato Takahashi
Managing Executive Officer



Kenichiro Nakajima
Managing Executive Officer



Kenji Hirose
Managing Executive Officer

Board of Directors and Company Auditors, Managing Executive Officers (As of April 22, 2014)

Position	Name
Chairman and CEO	Hiroshi Mikitani
Executive Vice President and Representative Director	Masayuki Hosaka
Executive Vice President, Representative Director, and CFO	Yoshihisa Yamada
Managing Executive Officer and Director	Masatada Kobayashi
Managing Executive Officer and Director	Toru Shimada
Managing Executive Officer and Director	Akio Sugihara
Managing Executive Officer and Director	Kazunori Takeda
Managing Executive Officer and Director	Kentaro Hyakuno
Managing Executive Officer and Director	Hiroaki Yasutake
Director	Charles B. Baxter
Director	Koichi Kusano *1
Director	Ken Kutaragi *1
Director	Hiroshi Fukino *1
Director	Jun Murai *1
Director	Joshua G. James *1

Position	Name
Company Auditor	Yoshiaki Senoo *2
Company Auditor	Takeo Hirata *2
Company Auditor	Katsuyuki Yamaguchi *2
Substitute Company Auditor	Hiroshi Takahashi *3
Managing Executive Officer	Takahito Aiki
Managing Executive Officer	Koji Ando
Managing Executive Officer	Yuji Kusunoki
Managing Executive Officer	Masato Takahashi
Managing Executive Officer	Kenichiro Nakajima
Managing Executive Officer	Kenji Hirose

*1: Outside directors stipulated under Corporate Law of Japan

*2: Outside auditors stipulated under Corporate Law of Japan

*3: Substitute company auditor stipulated under Corporate Law of Japan

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.

In April 2012, the Company reviewed the scope of duties of Executive Officers to speed up their execution processes. In addition, the Company has introduced Functional Teams, which comprehensively manage all Group Companies businesses, aiming to strengthen a group-wide internal control.

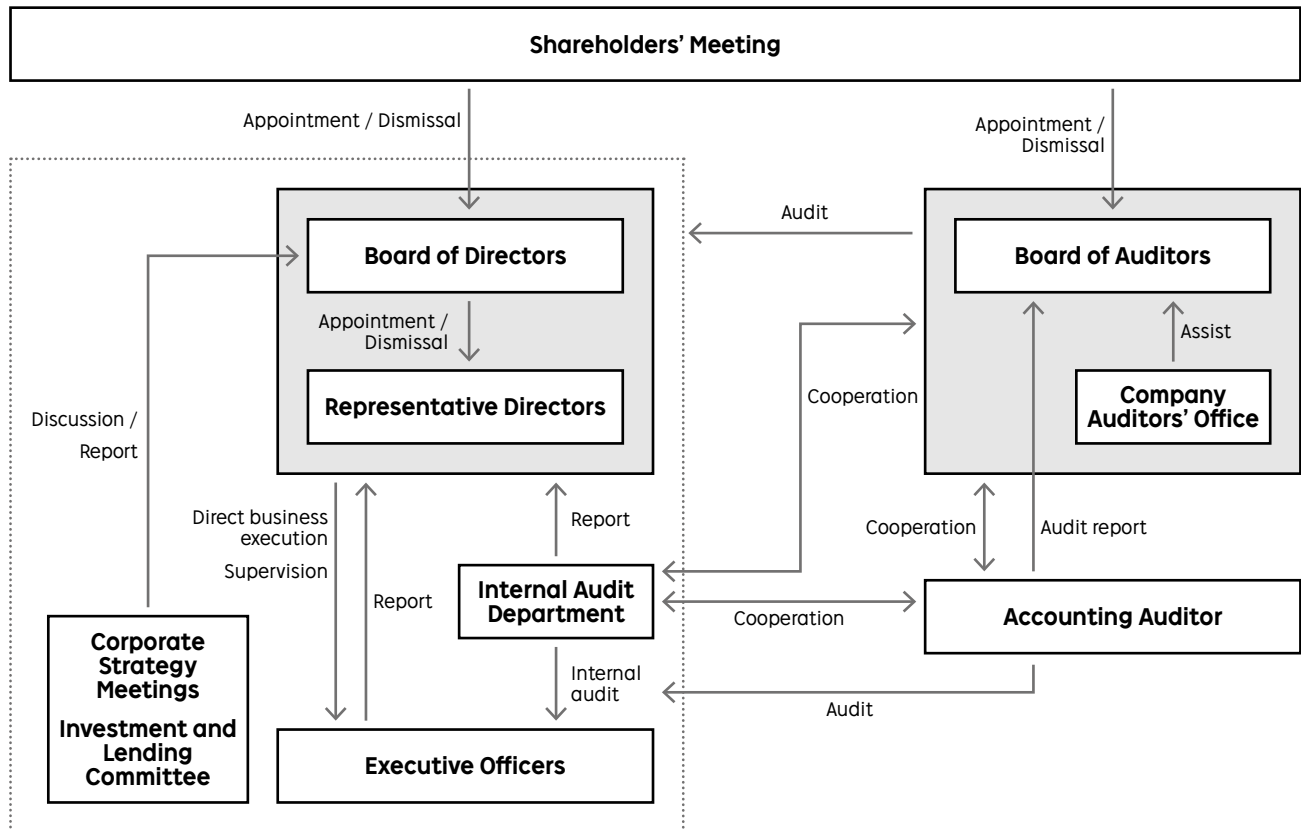
2. Corporate Organization

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

The Board of Directors consists of 16 Directors, including five External Directors. It is stipulated in the Articles of Incorporation that the number of Directors shall be not more than 16. Resolutions to appoint Directors must be approved by a majority of voting rights at an Annual General Shareholders' Meeting attended by shareholders holding at least one-third of voting rights.

In addition to regular monthly meetings, the Board of Directors holds special meetings as required. At these meetings, Directors make decisions on important management matters and supervise

Corporate Governance Structure



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. To enhance the corporate value, as to a case that requires capital expenditure including any investment, members, including External Directors, of the Investment Committee preliminarily deliberate on whether the case should be proceeded or not. The result of such deliberation shall be reported to the Board of Directors.

Board decisions are delegated to the Executive Officers' Meeting, which consists of Executive Officers. Each Executive Officer carries 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 three Company Auditors, including one full-time auditor. All three are external auditors.

A three-member Company Auditors' Office assists the Company Auditors in the performance of their duties. In addition to its regular meetings, the Board of Auditors holds special meetings as required. To prepare for when the number of Company Auditors falls below the number stipulated in laws and regulations, the Company appointed one Substitute Company Auditor.

In accordance with audit policies and plans established by the Board of Auditors, the Company Auditors attend 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 check the operations of the Company's head office and subsidiaries. In addition, the Company Auditors receive audit reports from the independent auditors and peruse financial statements and business reports. They also discuss various matters with the CEO.

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 External Directors and External Company Auditors. Attorneys have been appointed to help each of the external directors and external auditors verify compliance with the Articles of Incorporation and regulatory requirements from an objective perspective based on expert knowledge.

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, the Company conducts risk management by establishing risk control sections within business units, responsible for 10 risk categories including compliance risk, information security risk, and risks pertaining to natural disasters, conflicts and accidents. The Risk Management Department and risk control sections, which are group-wide department/sections in charge of risk management, draw up a policy under which each business unit and each group company implements measures.

Each business units, in accordance with the Rakuten Group Regulations (RGR), consolidates risk information and ensures thorough and consistent application of risk management through such actions as reporting on risks related to business execution at the Management Conferences held in each business unit, as well as defining risks through risk assessments regularly conducted by the Risk Management Department. Each group company has also established its own risk management system, especially in financial businesses, and instituted the PDCA cycle to handle company-specific risks other than group-wide risks.

In addition, measures for risks on information security and information systems are also implemented in development divisions, and the Company makes efforts to minimize this risk factor throughout the group including the acquisition of ISMS (Information Security Management System) certification.

As to risks pertaining to the occurrences of natural disasters, etc., the Company works to prepare emergency response measures including the formulation of business continuity plans.

Internal Audits, Company Auditor Organization, Personnel and Procedures

Internal audits are conducted by the 22-member Internal Audit Department, which is an independent unit reporting directly to the CEO. Head office divisions, business units and group companies are all subject to internal auditing. Audits are implemented under plans approved by the Board of Directors with the aim of verifying the legality, appropriateness and efficiency of operations. The purpose of the internal audit process is to ensure that business operations are conducted in an appropriate manner by identifying any improvements that may be required, and by monitoring the implementation of those improvements. Audit results are reported to the Board of Directors, the CEO, the Compliance Committee responsible for areas covered by audits, and the Company Auditors. The Internal Audit Department also cooperates with the Board of Auditors. The Internal Audit Department is also working to enhance the effectiveness of internal audits throughout the Rakuten Group by working closely with audit units in the Group Companies.

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

External Directors and External Company Auditors

Rakuten's 16-member Board of Directors currently includes five External Directors, and all three Company Auditors are External Company Auditors. Mr. Koichi Kusano, External Director, is a Senior Partner in Nishimura & Asahi, a law firm with which the Company has a business relationship that includes provision of services. Mr. Katsuyuki Yamaguchi, External Company Auditor, is a Partner in the same firm. Mr. Jun Murai, Director, is External Director of BroadBand Tower, Inc., with which the Company has a business relationship that includes provision of services. Mr. Katsuyuki Yamaguchi, Company Auditor, is External Company Auditor of BrainPad Inc. with which the Company has a business relationship involving provision of services. Mr. Koichi Kusano and Mr. Ken Kutaragi, both External Directors, and Mr. Katsuyuki Yamaguchi, External Company Auditor, respectively hold the Company's shares. There are no other personal, capital or business relationships or significant interests.

Although the Company has not established standards and policies to ensure the independence from the Company for electing External Directors and External Company Auditors, Rakuten appoints highly independent External Directors and External Company 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 External Directors include attorneys, notably Mr. Koichi Kusano, who can contribute wide-ranging knowledge and experience of corporate law. Another, Mr. Ken Kutaragi, has extensive knowledge of the entertainment business and

technology and wide-ranging experience in business management. Mr. Hiroshi Fukino also has extensive experience of business management and expertise as a business consultant. Mr. 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 three External Company Auditors. Mr. Yoshiaki Senoo has extensive knowledge and experience relating primarily to finance business, business management and compliance. Mr. Takeo Hirata brings wide-ranging expert knowledge and experience relating primarily to sport and education. Mr. Katsuyuki Yamaguchi was selected as a person who could contribute to the Company's audit systems through his extensive knowledge and experience, especially as an attorney, and through his perspectives as an expert on corporate law. Documents for meetings of the Board of Directors are forwarded in advance to the External Directors and External Company Auditors, who, if necessary, can also seek advance briefings from and consultations with the units concerned. As noted above, the External Auditors also actively exchange views with the Internal Audit Department and the independent auditors.

Rakuten, Inc. has signed an agreement with each of its External Directors and External Company Auditors under the provisions of Article 427, Paragraph 1 of the Companies Act. This agreement is summarized below:

Provided that duties have been carried out in good faith and without gross negligence, the total liability in situations as defined in Article 423, Paragraph 1 of the Companies Act will be limited to the sum of the amounts stipulated in the following items:

- i. Two times the bigger of the sum of fees, bonuses and other payments received or asset benefits received in the year that includes the date on which the event that resulted in the liability occurred, and in the preceding year, or the value of asset benefits to be received (excluding benefits stipulated under Item ii below).
- ii. Two times the smaller of the sum of retirement bonuses or asset benefits that are in the nature of retirement bonuses, or that amount divided by the number of years during which the office of External Director was held.
- iii. The amounts stipulated below if Subscription Rights to Shares, as defined in Article 238, Paragraph 3 of the Companies Act, were exercised or transferred after the person was appointed as an External Director.
 1. If the Rights have been Exercised
An amount calculated by subtracting the sum of the issue price of the Subscription Rights to Shares and the paid-in value per share on the exercise date from the market price per share on the exercise date and multiplying the result

by the number of shares granted through the exercise of the Subscription Rights to Shares.

2. If the Rights have been Transferred

An amount calculated by subtracting the issue price of the Subscription Rights to Shares from the transfer price and multiplying the result by the number of Subscription Rights to Shares.

Remuneration for Directors and Company Auditors

1. Total amounts of fees, etc., for each category of officers of the Company submitting financial reports, total amount of each type of remuneration paid, and number of officers eligible category of officer total amount of fees, etc.

Category of officer	Total amount of fees, etc. (Millions of yen)	Total amount of each type of remuneration (Millions of yen)			Number of recipients
		Basic fees	Stock options	Bonuses	
Directors (excluding External Directors)	376	281	45	51	11
Company Auditors (excluding External Company Auditors)	—	—	—	—	0
External Directors and Company Auditors	114	111	3	—	9

2. Consolidated total amount of fees, etc., for directors and company auditors of the Company submitting financial reports

For purposes of full disclosure, the Company has declared that no person in the filing company received a consolidated total amount of fees of more than ¥100 million 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
394	8	Salaries (including bonuses) paid to directors who are also employees

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

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

Status of Securities Held by the Company

1. Shares held for other reasons than pure investment purpose

Number of stock names: 12

Total balance sheet amount: ¥9,986 million

2. Nature of holdings, stock names, number of shares, total amount recorded in balance sheet, purpose of holdings of the shares held for other reasons than pure investment purpose

Special Investment Securities

December 31, 2012

Stock name	Number of shares (shares)	Amount recorded in balance sheet (Millions of yen)	Purpose of holding
F@N Communications, Inc.	5,779	1,039	To enhance business relationship
Synergy Marketing, Inc.	1,136,000	580	To enhance business relationship
FreeBit Co., Ltd.	199,200	83	To enhance business relationship
Alpen Co., Ltd.	18,000	27	To enhance business relationship

December 31, 2013

Stock name	Number of shares (shares)	Amount recorded in balance sheet (Millions of yen)	Purpose of holding
F@N Communications, Inc.	2,311,600	7,235	To enhance business relationship
Synergy Marketing, Inc.	1,136,000	971	To enhance business relationship
FreeBit Co., Ltd.	199,200	394	To enhance business relationship
Alpen Co., Ltd.	18,000	34	To enhance business relationship

3. Shares held purely for investment purposes

Not applicable.

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 Companies Act and the Financial Instruments and Exchange Act.

In fiscal 2013, audits were conducted by the following certified public accountants and assistants.

[Certified public accountants]

Designated and Engagement Partner	Masaharu Sugiyama
Designated and Engagement Partner	Hiroshi Nishida
Designated and Engagement Partner	Kenji Takagi

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

[Names of Assistants]

20 certified public accountants and 27 others

Other Provisions of the Articles of Incorporation

1. Matters Requiring Resolutions of Shareholders' Meetings 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 Companies Act, without resolutions of shareholders' meetings. The purpose of this provision is to allow the Board of Directors to implement a flexible dividend policy.

2. Items Requiring Special Resolutions of Shareholders' Meetings

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

2. Audit Fees, etc.

Audit Fees Paid to Certified Public Accountants, etc.

Item	2012		2013	
	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	178	36	153	0
Consolidated subsidiaries	203	11	218	17
Total	381	47	371	17

Other Important Matters Pertaining to Fees

Fiscal year ended December 31, 2013

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 the Company. Fees paid to Ernst & Young in fiscal 2013 amounted to ¥81 million.

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

Fiscal year ended December 31, 2013

The non-audit services for which Rakuten, Inc. pays fees to certified public accountants and other audit personnel consist primarily of advisory services, etc. relating to the system management structure.

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 the Company, the characteristics of its business activities, and the number of days required for audits.

Financial Section

Results of Operations and Financial Conditions (IFRS)

For the fiscal year ended December 31, 2013

Business Results

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

The Rakuten Group promoted Rakuten Ichiba's B2B2C marketplace model to the world mainly through enhancement of its services for smart devices (smartphones and tablet devices) whose users have been increasing in number at exponential rates, marketing which utilizes big data, and execution of large-scale sales events such as the Rakuten Super Sale. We also worked on enhancing logistics services such as Rakuten Super Logistics, our logistics agency services for clients.

In the Internet Finance business segment, we proactively reinforced the membership base and expanded the business centering on Rakuten Card, which has notable synergies with Internet Services. The revitalization of the domestic stock market also contributed to the growth in profits of the finance services. Furthermore, we proactively developed our e-book services as well as video streaming services in Japan and abroad with the aim of strengthening the digital content services which we position as one of the pillars of our future growth strategy. Through these measures, the Rakuten Eco-System continues to expand and growth.

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

Financial Position

Assets

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

Liabilities

Total liabilities at the end of fiscal 2013 were ¥2,903,354 million, an increase of ¥857,632 million. Primary factors were a ¥519,916 million rise in financial liabilities for securities business due mainly to an expansion in consignment trades for securities, an increase of ¥150,429 million in deposits for banking business, a

¥84,497 million increase in bonds and borrowings mainly due to an increase in commercial paper and the borrowing of call loans in the securities business.

Equity

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

Cash Flows

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

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

Cash flows from investing activities—Net cash flows from investing activities resulted in a cash inflow of ¥30,584 million (compared with a cash inflow of ¥67,440 million for the previous fiscal year). Primary factors included: a cash outflow of ¥30,198 million for acquisition of subsidiaries; a cash outflow of ¥22,412 million for purchase of intangible assets including software; and a net cash inflow of ¥100,666 million for proceeds from sales and redemption of investment securities for banking business (a cash outflow of ¥150,512 million for purchase of investment securities and a cash inflow of ¥251,178 million for proceeds from sales and redemption of investment securities).

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

Consolidated Statement of Financial Position

Rakuten, Inc. and Consolidated Subsidiaries
December 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars
	December 31, 2012	December 31, 2013	December 31, 2013
ASSETS			
Cash and cash equivalents	¥ 270,114	¥ 384,008	\$ 3,643,687
Accounts receivable — trade	65,493	73,443	696,868
Financial assets for securities business	615,703	1,218,987	11,566,434
Loans for credit card business	402,418	544,314	5,164,755
Investment securities for banking business	296,326	197,897	1,877,758
Loans for banking business	189,669	239,818	2,275,525
Investment securities for insurance business	13,623	10,233	97,098
Derivative assets	10,674	12,588	119,444
Investment securities	23,411	34,025	322,844
Other financial assets	123,132	159,058	1,509,229
Investments in associates and joint ventures	6,601	8,189	77,706
Property, plant and equipment	24,143	30,408	288,524
Intangible assets	188,014	235,881	2,238,169
Deferred tax assets	40,546	31,594	299,777
Other assets	17,767	29,365	278,659
TOTAL ASSETS	¥2,287,634	¥3,209,808	\$30,456,477
LIABILITIES			
Accounts payable — trade	79,965	115,357	1,094,576
Deposits for banking business	809,531	959,960	9,108,642
Financial liabilities for securities business	558,055	1,077,971	10,228,397
Derivative liabilities	4,685	8,023	76,125
Bonds and borrowings	305,186	389,683	3,697,531
Other financial liabilities	210,048	226,771	2,151,731
Income taxes payable	2,873	30,191	286,472
Provisions	29,614	41,020	389,217
Policy reserves and others for insurance business	18,496	18,852	178,877
Deferred tax liabilities	6,416	9,123	86,568
Other liabilities	20,853	26,403	250,530
Total liabilities	2,045,722	2,903,354	27,548,667
EQUITY			
Equity attributable to owners of the company			
Common stock	108,255	109,530	1,039,286
Capital surplus	116,599	116,555	1,105,937
Retained earnings	20,873	61,226	580,945
Treasury stock	(3,626)	(3,649)	(34,623)
Other components of equity	(6,159)	16,401	155,626
Total equity attributable to owners of the company	235,942	300,063	2,847,170
Non-controlling interests	5,970	6,391	60,644
Total equity	241,912	306,454	2,907,814
TOTAL LIABILITIES AND EQUITY	¥2,287,634	¥3,209,808	\$30,456,477

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 ¥105.39 to \$1, the rate of exchange prevailing at December 31, 2013.

Consolidated Statement of Income

Rakuten, Inc. and Consolidated Subsidiaries
Years ended December 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars
	Year ended December 31, 2012	Year ended December 31, 2013	Year ended December 31, 2013
CONTINUING OPERATIONS			
Revenue	¥400,444	¥518,568	\$4,920,466
Operating expenses	319,435	420,374	3,988,748
Other income	3,365	1,831	17,377
Other expenses	5,581	9,781	92,812
Additional line items	(28,738)	—	
Operating income	50,055	90,244	856,283
Financial income	193	197	1,872
Financial expenses	2,565	1,962	18,613
Share of income of associates and joint ventures	1,423	131	1,238
Income before income tax	49,106	88,610	840,781
Income tax expense	27,970	45,129	428,210
Net income	¥ 21,136	¥ 43,481	\$ 412,576
NET INCOME ATTRIBUTABLE TO:			
Owners of the company	¥ 20,489	¥ 42,900	\$ 407,061
Non-controlling interests	647	581	5,516
Net income	¥ 21,136	¥ 43,481	\$ 412,576
<hr/>			
	Yen		U.S. dollars
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY			
Basic	¥ 15.59	¥ 32.60	\$ 0.30
Diluted	15.56	32.41	0.30

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 ¥105.39 to \$1, the rate of exchange prevailing at December 31, 2013.

Consolidated Statement of Comprehensive Income

Rakuten, Inc. and Consolidated Subsidiaries
Years ended December 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars
	Year ended December 31, 2012	Year ended December 31, 2013	Year ended December 31, 2013
NET INCOME	¥21,136	¥43,481	\$412,576
OTHER COMPREHENSIVE INCOME			
ITEMS THAT WILL NOT BE RECLASSIFIED TO NET INCOME			
Gains (losses) on financial assets measured at fair value through other comprehensive income	(72)	9,500	90,145
Income tax effect of gains (losses) on financial assets measured at fair value through other comprehensive income	(51)	(3,330)	(31,604)
Share of other comprehensive income of associates and joint ventures	28	54	516
Total items that will not be reclassified to net income	(95)	6,224	59,058
ITEMS THAT WILL BE RECLASSIFIED TO NET INCOME			
Foreign currency translation adjustments	10,362	18,294	173,578
Gains (losses) on cash flow hedges recognized in other comprehensive income	(447)	(407)	(3,858)
Income tax effect of gains (losses) on cash flow hedges recognized in other comprehensive income	176	145	1,374
Gains (losses) on cash flow hedges reclassified from other comprehensive income to net income	713	227	2,149
Income tax effect of gains (losses) on cash flow hedges reclassified from other comprehensive income to net income	(271)	(83)	(787)
Total items that will be reclassified to net income	10,533	18,176	172,456
Other comprehensive income, net of tax	10,438	24,400	231,514
COMPREHENSIVE INCOME	¥31,574	¥67,881	\$644,090
COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the company	¥30,907	¥67,253	\$638,131
Non-controlling interests	667	628	5,959
Comprehensive income	¥31,574	¥67,881	\$644,090

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 ¥105.39 to \$1, the rate of exchange prevailing at December 31, 2013.

Consolidated Statement of Changes in Equity

Rakuten, Inc. and Consolidated Subsidiaries
Years ended December 31, 2013 and 2012

Millions of yen

	Other components of equity										
	Common stock	Capital surplus	Retained earnings	Treasury stock	Foreign currency translation adjustments	Financial instruments measured at fair value through other comprehensive income	Cash flow hedges	Total other components of equity	Total equity attributable to owners of the company	Non-controlling interests	Total equity
As of January 1, 2012	¥107,959	¥116,864	¥ 3,641	¥(3,626)	¥(18,123)	¥ 2,026	¥(374)	¥(16,471)	¥208,367	¥3,979	¥212,346
Comprehensive income											
Net income	—	—	20,489	—	—	—	—	—	20,489	647	21,136
Other comprehensive income, net of tax	—	—	—	—	10,341	(94)	171	10,418	10,418	20	10,438
Total comprehensive income	—	—	20,489	—	10,341	(94)	171	10,418	30,907	667	31,574
Transactions with owners											
Contributions by and distributions to owners											
Issuance of common stock	296	296	—	—	—	—	—	—	592	—	592
Cash dividends paid	—	—	(3,284)	—	—	—	—	—	(3,284)	—	(3,284)
Reclassification from other components of equity to retained earnings	—	—	106	—	—	(106)	—	(106)	—	—	—
Others	—	334	(79)	(0)	—	—	—	—	255	—	255
Total contributions by and distributions to owners	296	630	(3,257)	(0)	—	(106)	—	(106)	(2,437)	—	(2,437)
Changes in ownership interests in subsidiaries											
Issuance of common stock	—	—	—	—	—	—	—	—	—	30	30
Acquisitions and disposals of non-controlling interests	—	(494)	—	—	—	—	—	—	(494)	1,380	886
Others	—	(401)	—	—	—	—	—	—	(401)	(86)	(487)
Total changes in ownership interests in subsidiaries	—	(895)	—	—	—	—	—	—	(895)	1,324	429
Total transactions with owners	296	(265)	(3,257)	(0)	—	(106)	—	(106)	(3,332)	1,324	(2,008)
As of December 31, 2012	¥108,255	¥116,599	¥20,873	¥(3,626)	¥ (7,782)	¥ 1,826	¥(203)	¥(6,159)	¥235,942	¥5,970	¥241,912
Comprehensive income											
Net income	—	—	42,900	—	—	—	—	—	42,900	581	43,481
Other comprehensive income net of tax	—	—	—	—	18,273	6,198	(118)	24,353	24,353	47	24,400
Total comprehensive income	—	—	42,900	—	18,273	6,198	(118)	24,353	67,253	628	67,881
Transactions with owners											
Contributions by and distributions to owners											
Issuance of common stock	1,275	1,275	—	—	—	—	—	—	2,550	—	2,550
Cash dividends paid	—	—	(3,944)	—	—	—	—	—	(3,944)	—	(3,944)
Reclassification from other components of equity to retained earnings	—	—	1,793	—	—	(1,793)	—	(1,793)	—	—	—
Others	—	812	(396)	(23)	—	—	—	—	393	—	393
Total contributions by and distributions to owners	1,275	2,087	(2,547)	(23)	—	(1,793)	—	(1,793)	(1,001)	—	(1,001)
Changes in ownership interests in subsidiaries											
Issuance of common stock	—	—	—	—	—	—	—	—	—	50	50
Acquisitions and disposals of non-controlling interests	—	(2,135)	—	—	—	—	—	—	(2,135)	(208)	(2,343)
Others	—	4	—	—	—	—	—	—	4	(49)	(45)
Total changes in ownership interests in subsidiaries	—	(2,131)	—	—	—	—	—	—	(2,131)	(207)	(2,338)
Total transactions with owners	1,275	(44)	(2,547)	(23)	—	(1,793)	—	(1,793)	(3,132)	(207)	(3,339)
As of December 31, 2013	¥109,530	¥116,555	¥61,226	¥(3,649)	¥ 10,491	¥ 6,231	¥(321)	¥16,401	¥300,063	¥6,391	¥306,454
As of December 31, 2013 Thousands of U.S. dollars	\$1,039,286	\$1,105,937	\$580,945	\$(34,623)	\$99,548	\$59,125	\$(3,047)	\$155,626	\$2,847,170	\$60,644	\$2,907,814

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 ¥105.39 to \$1, the rate of exchange prevailing at December 31, 2013.

Consolidated Statement of Cash Flows

Rakuten, Inc. and Consolidated Subsidiaries
Years ended December 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars
	Year ended December 31, 2012	Year ended December 31, 2013	Year ended December 31, 2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	¥ 49,106	¥ 88,610	¥ 840,781
Depreciation and amortization	21,227	26,086	247,523
Other loss	30,010	5,509	52,268
Decrease (Increase) in operating receivables	(9,379)	(3,035)	(28,795)
Decrease (Increase) in loans for credit card business	(96,287)	(141,895)	(1,346,384)
Increase (Decrease) in deposits for banking business	66,941	150,429	1,427,357
Decrease (Increase) in call loans for banking business	42,000	(32,000)	(303,634)
Decrease (Increase) in loans for banking business	(35,113)	(50,149)	(475,843)
Increase (Decrease) in operating payables	14,284	29,464	279,572
Increase (Decrease) in accounts payable — other and accrued expenses	10,852	6,768	64,222
Decrease (Increase) in financial assets for securities business	(200,103)	(603,284)	(5,724,297)
Increase (Decrease) in financial liabilities for securities business	193,565	519,916	4,933,257
Others	24,501	16,374	155,366
Income tax paid	(6,917)	(11,308)	(107,294)
Net cash flows from operating activities	¥ 104,687	¥ 1,485	¥ 14,087
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in time deposits	¥ (6,349)	¥ (8,089)	¥ (76,753)
Decrease in time deposits	12,431	5,155	48,909
Purchase of property, plant and equipment	(5,162)	(10,018)	(95,054)
Purchase of intangible assets	(18,949)	(22,412)	(212,661)
Acquisition of subsidiaries	(35,076)	(30,198)	(286,532)
Purchase of investment securities for banking business	(253,991)	(150,512)	(1,428,142)
Proceeds from sales and redemption of investment securities for banking business	385,115	251,178	2,383,317
Purchase of investment securities for insurance business	(750)	(6,228)	(59,095)
Proceeds from sales and redemption of investment securities for insurance business	1,034	9,591	91,004
Purchase of investment securities	(15,637)	(4,728)	(44,863)
Proceeds from sales and redemption of investment securities	3,324	5,654	53,646
Other payments	(3,450)	(10,418)	(98,852)
Other proceeds	4,900	1,609	15,267
Net cash flows from investing activities	¥ 67,440	¥ 30,584	¥ 290,200
CASH FLOWS FROM FINANCING ACTIVITIES			
Net Increase (Decrease) in short-term borrowings	¥ 6,607	¥ 62,305	¥ 591,181
Increase (Decrease) in commercial papers	14,000	23,000	218,237
Proceeds from long-term debt	30,100	63,210	599,770
Repayment of long-term debt	(90,168)	(66,966)	(635,410)
Cash dividends paid	(3,286)	(3,962)	(37,595)
Others	(14,073)	(2,335)	(22,153)
Net cash flows (used in) from financing activities	(56,820)	75,252	714,030
EFFECT OF CHANGE IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	2,006	6,573	62,373
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	117,313	113,894	1,080,691
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	152,801	270,114	2,562,997
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	¥ 270,114	¥ 384,008	¥ 3,643,687

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 ¥105.39 to \$1, the rate of exchange prevailing at December 31, 2013.

Major Consolidated Subsidiaries and Affiliated Companies

(As of December 31, 2013)

Name	Location	Ownership (%)	Note
Consolidated Subsidiaries			
Internet Services			
Rakuten Auction, Inc.	Japan	60.0	
LinkShare Corporation	U.S.A.	100.0	
LinkShare Japan K.K.	Japan	100.0	
Rakuten Logistics, Inc.	Japan	100.0	1
Buy.com Inc.	U.S.A.	100.0	
PRICEMINISTER S.A.S.	France	100.0	
Rakuten Travel, Inc.	Japan	100.0	2
Kobo Inc.	Canada	100.0	3
Kenko.com, Inc.	Japan	51.8	3, 4
Viki, Inc.	U.S.A.	100.0	5
Internet Finance			
Rakuten Bank, Ltd.	Japan	100.0	3
Rakuten Securities, Inc.	Japan	100.0	
Rakuten Card Co., Ltd.	Japan	100.0	3
Dot Commodity, Inc.	Japan	97.1	
Rakuten Edy, Inc.	Japan	85.0	
Rakuten Life Insurance Co., Ltd.	Japan	100.0	
Others			
Rakuten Baseball, Inc.	Japan	100.0	
FUSION COMMUNICATIONS CORPORATION	Japan	54.8	
Equity-method Affiliates			
Rakuten ANA Travel Online Co., Ltd.	Japan	50.0	6
TECHMATRIX CORPORATION	Japan	32.0	6

- Notes:**
1. Rakuten Logistics, Inc will merge as a wholly-owned consolidated subsidiary of Rakuten, effective July 1, 2014.
 2. Rakuten Travel, Inc was merged as a wholly-owned consolidated subsidiary of Rakuten, effective April 1, 2014.
 3. This is a special-purpose company.
 4. Rakuten completed a company split (simplified absorption-type company split) of subsidiary Kenko.com. Inc. Kenko.com is the successor company, with January 1, 2014 as the date of effectuation. As of March 31, 2014, the ownership ratio of Rakuten is 52.6%.
 5. The company became a group member during the fiscal year ended December 31, 2013.
 6. There are seven additional equity-method affiliates, excluding the above.
 7. There are 75 additional consolidated subsidiaries, excluding the above.

Corporate History

1997 Rakuten Ichiba, the Internet shopping mall, commences operation.

2000 Rakuten, Inc. goes public through an IPO on the JASDAQ market.

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.

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.

Kokunai Shinpan Co., Ltd. (later named Rakuten KC Co., Ltd.) is included in the consolidation as a subsidiary of Rakuten, Inc.

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 Start of 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.

2010 bitWallet, Inc., the Edy e-money system operator, becomes a subsidiary.

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.

2011 Rakuten, Inc. and Indonesia's largest media group, PT Global Mediacom Tbk., launch 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.

2012 Rakuten, Inc. acquires 100% of shares in Kobo, Inc. which offers e-book services worldwide.

Rakuten Malaysia Sdn. Bhd is established in preparation for local e-commerce service launch.

Kenko.com Inc., operator of a healthcare goods online shopping site, is acquired through a third-party allocation of shares.

Wuaki.TV, S.L. (Spain), an emerging European provider of on-demand video services is acquired and is made a wholly owned subsidiary.

Acquisition of majority interest in equity-method affiliate, AIRIO Life Insurance Co., Ltd. (now renamed Rakuten Life Insurance Co., Ltd.), which becomes a consolidated subsidiary.

Rakuten Austria GmbH is established through Rakuten Europe S.a.r.l. to operate an e-commerce site in Austria.

2013 Viki, Inc., a global video streaming provider is acquired and becomes a wholly owned subsidiary.

The Tohoku Rakuten Golden Eagles ("Golden Eagles") becomes the number one baseball team in Japan for the first time in the nine years since their formation.

Rakuten, Inc. changes the listing of its shares from the JASDAQ (Standard) market to the First Section of the Tokyo Stock Exchange.

Corporate Information

Company Overview

Name	Rakuten, Inc.
Founded	February 7, 1997
Service Launched	May 1, 1997
IPO	April 19, 2000 Listed to the First Section of the Tokyo Stock Exchange in December 3, 2013
Capital	109,530 million yen (As of December 31, 2013)
Employees	10,867 (Consolidated)
Headquarters	Shinagawa Seaside Rakuten Tower, 4-12-3 Higashishinagawa, Shinagawa-ku, Tokyo 140-0002, Japan

Stock Information

Stock Code	4755 (Tokyo Stock Exchange 1st Section)
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 2-8-4, Izumi, Suginami-ku, Tokyo 168-0063, Japan

Inquiry

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

Number of Shares and Shareholders

(As of December 31, 2013)

Number of Shares Authorized	3,941,800,000
Total Number of Shares Issued	1,323,863,100
Number of Shareholders	79,850

Major Shareholders

(As of December 31, 2013)

Name	Number of shares	Percentage held
Crimson Group, LLC.	226,419,000	17.10
Hiroshi Mikitani	175,572,000	13.26
Haruko Mikitani	132,625,000	10.02
JP MORGAN CHASE BANK 380055	57,990,726	4.38
STATE STREET BANK AND TRUST COMPANY	36,275,895	2.74
Masuda and Partners Inc.	27,461,000	2.07
The Master Trust Bank of Japan, Ltd (Trust account)	25,451,900	1.92
THE CHASE MANHATTAN BANK 385036	24,337,900	1.84
GOLDMAN, SACHS & CO. REG	23,427,710	1.77
JP MORGAN CHASE BANK 385164	19,991,600	1.51

Classification by Type of Shareholder

(As of December 31, 2013)



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.

"Rakuten", 楽天 and Rakuten are registered trademarks of Rakuten, Inc. in Japan.



Annual Report | Fiscal Year Ended December 31, 2013

Rakuten, Inc.

TEL: +81-3-6387-1111 URL: <http://global.rakuten.com/corp/investors/>

Shinagawa Seaside Rakuten Tower, 4-12-3 Higashishinagawa, Shinagawa-ku, Tokyo 140-0002, Japan