

楽天

**Rakuten, Inc.**  
**Annual Report**

**Fiscal Year Ended December 31, 2007**

Rakuten's Goal

# To be the world's No.1 Internet Service Company

Rakuten's Five Concepts of Success

1. Get Things Done
2. Complete Professionalism
3. Hypothesize, Execute, Verify and Incorporate
4. Customer Satisfaction Maximization
5. Speed!! Speed!! Speed!!

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### Cautionary Statement

In this annual report, unless the context indicates otherwise, reference to "Rakuten", "Rakuten Group," "we," "our," and "us," are to Rakuten, Inc. and its consolidated subsidiaries and affiliates. The statements in this report with respect to 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 the information currently available to it. These forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those discussed in the forward-looking statements, and therefore you should not place undue reliance on them. We do not intend to update these forward-looking statements, whether as a result of new information, future events or otherwise, except as maybe required by applicable law.

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

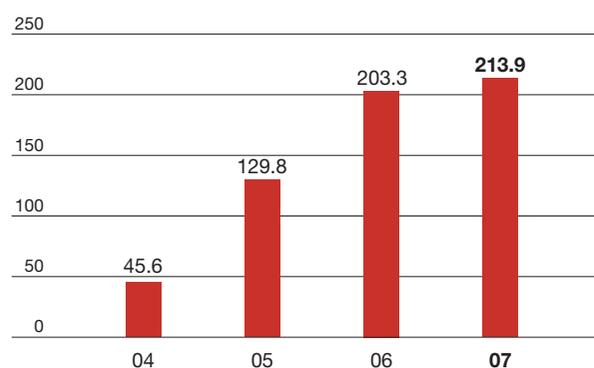
# Consolidated Financial Highlights

Rakuten, Inc. and Consolidated Subsidiaries  
Years Ended December 31

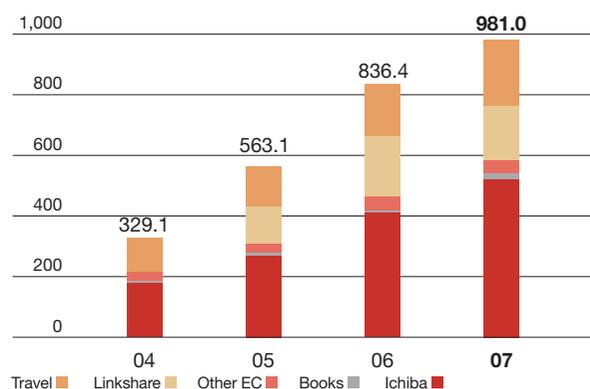
Fiscal Year	Millions of yen			Thousands of U.S. dollars
	2005	2006	2007	2007
<b>Net Sales</b>	¥ 129,775	¥ 203,272	¥ 213,938	\$1,765,168
<b>Gross Profit</b>	115,553	175,970	174,458	1,439,422
<b>Operating Income</b>	34,885	29,149	119	982
<b>Net Income</b>	19,450	2,703	36,899	304,446
<b>For period ended December 31</b>				
Total Assets	1,657,709	1,296,063	1,158,923	9,562,072
Total Shareholders' Equity	76,550	-	-	-
Total Net Assets	-	203,197	193,823	1,599,204
<b>Per Share (in yen and U.S. dollars)</b>				
Total Net Assets	¥ 6,464.6	¥ 14,492.2	¥ 14,212.7	\$ 1,170.3
Net Income:				
Basic	1,642.5	212.0	2,826.0	23.3
Diluted	1,626.2	193.1	2,813.3	23.2

Note: U.S. dollar figures have been translated from yen, for convenience only, at the rate of ¥121.20 to U.S.\$1, the approximate rate of exchange at December 31, 2007.

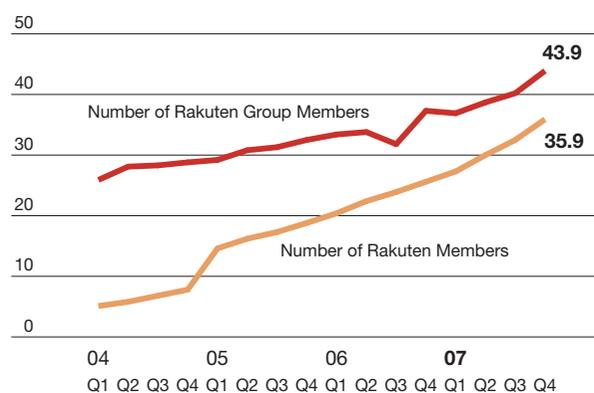
## Net Sales Billions of yen



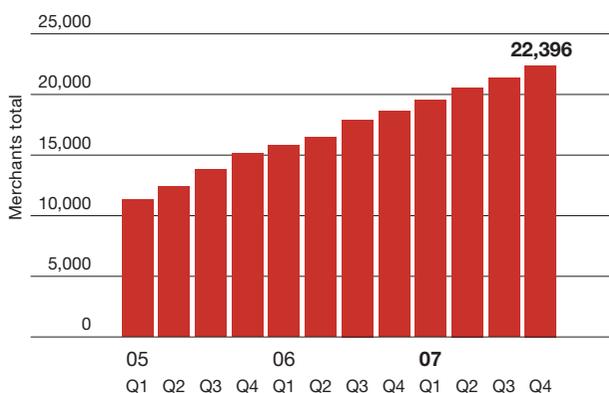
## Group Gross Transaction Value Billions of yen



## Growth in Number of Rakuten Members Millions of members



## Number of Merchants Stores





Today, the Rakuten Group is growing alongside its employees to further create shareholder value under the concept of **“More than a Company.”**

By clearly defining and stating our corporate culture; **“Rakuten-ism”** will be a concept widely implemented throughout the Group companies in Japan and overseas. Each and every employee will share a common **Mission, Values and Practices**, and take part in creating a highly motivated **“Winning Team.”**

In Fiscal year 2007, Rakuten marked its 10th anniversary. And I’m pleased to report that the Group’s gross transaction value exceeded 980 billion yen, and is steadily approaching 1 trillion yen. Now, focusing on the next decade, we are working intently to lay the foundation for growth.

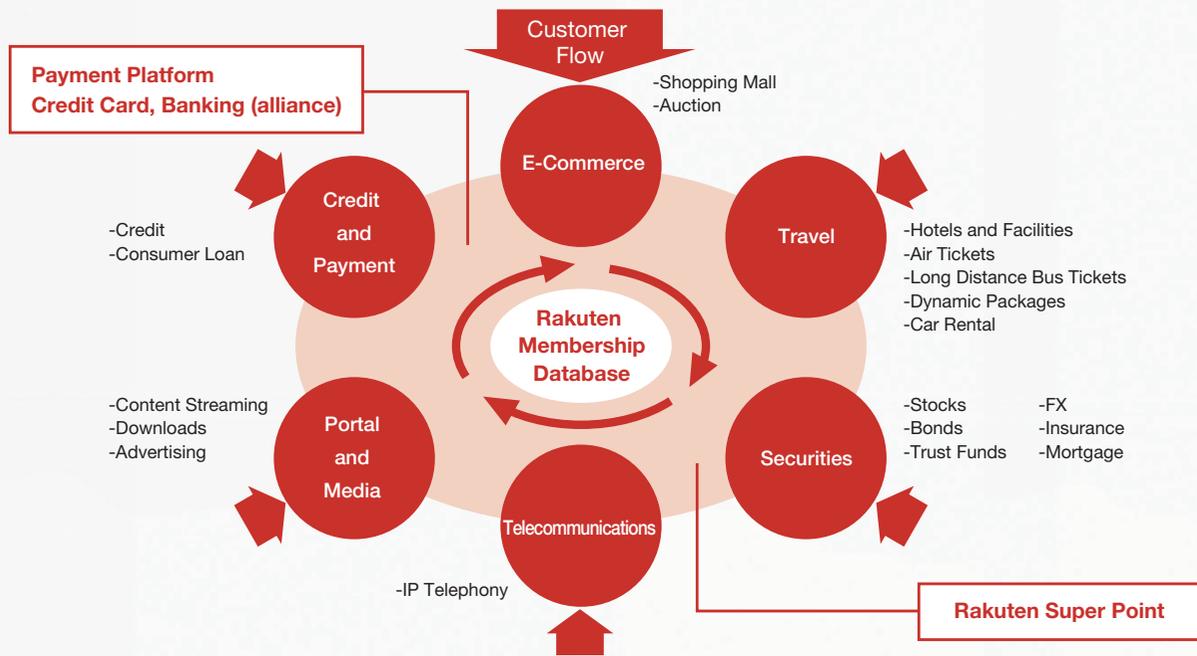
The Internet industry has entered an era of major change. In response, we will strengthen our Internet shopping mall business, **“Rakuten Ichiba”** and other existing businesses, as well as launch new offerings. The Rakuten Group will expand and once again emphasize the **“Rakuten Eco-system”** concept: the most highly utilized Internet-based economic zone. We will strive to provide attractive and further customized services for our customers. We will also aim to become the world’s leading Internet services company, and as our

## The Group is a highly built upon common

A handwritten signature in black ink that reads "Hiroshi Mikitani". The signature is fluid and cursive, written in a professional style.

Hiroshi Mikitani  
Chairman and CEO

## Rakuten Eco-system



first step, we are launching “Rakuten Ichiba” in Taiwan, which will be soon followed by full-scale entries into other overseas markets starting in 2008.

One of our most valuable business assets, the Rakuten membership database, is the largest of its kind in Japan with 43.9 million members. We will continuously offer new services to engage this “mega-market” and enable our customers to receive not only online services,

but also off-line services designed to maximize the use of the Rakuten Group’s businesses.

We are committed to value-added innovation, and most importantly, we promise our long-term shareholders that we will promote sustainable growth and shareholder value.

I would like to express my appreciation for your continuous support.

# motivated “Winning Team” “Values,” “Mission,” and “Practices.”

# Rakuten Group

**"The Rakuten Group's goal is to become the No. 1 Internet Service Company in the world."**

In 2007, Rakuten celebrated its milestone of 10 years of growth. Today, it is recognized as Japan's leading company in the Internet business.

The business portfolio is built upon leading businesses: e-commerce, online travel reservation, portal sites, online content, credit card, consumer loan, online brokerage, and IP telephony services. In addition, we also have a professional baseball team for marketing purposes to help increase our corporate brand awareness. These different businesses give us a unique capability to serve our customers with a diverse lineup of personalized services.

The Rakuten Group enjoys a premier position in Japan among its competitors in Internet businesses. It rates No. 1 in e-commerce and online travel reservations businesses. It is also No. 6 among total retail travel agencies. Online securities business rates No. 2, and portal website, blog and auction businesses rate No. 3.

As each segment works to expand its scope of business, and improve the quality of its member services, the Group's performance in total is also a major consideration.

Since performance has always been traced back to the idea

that no single product nor a single person can deliver the great results deriving from synergies and collaborations, the "Rakuten Eco-system," an economic cycle of complete integration and combination of goods and services of the Rakuten Group, is a uniquely distinct advantage.

The "Rakuten Eco-system" fulfills various needs and touchpoints of everyday life; consequently, it attracts customers, and even more so by adding value and delivering efficient and synergistic benefits through intra-Group transactions.

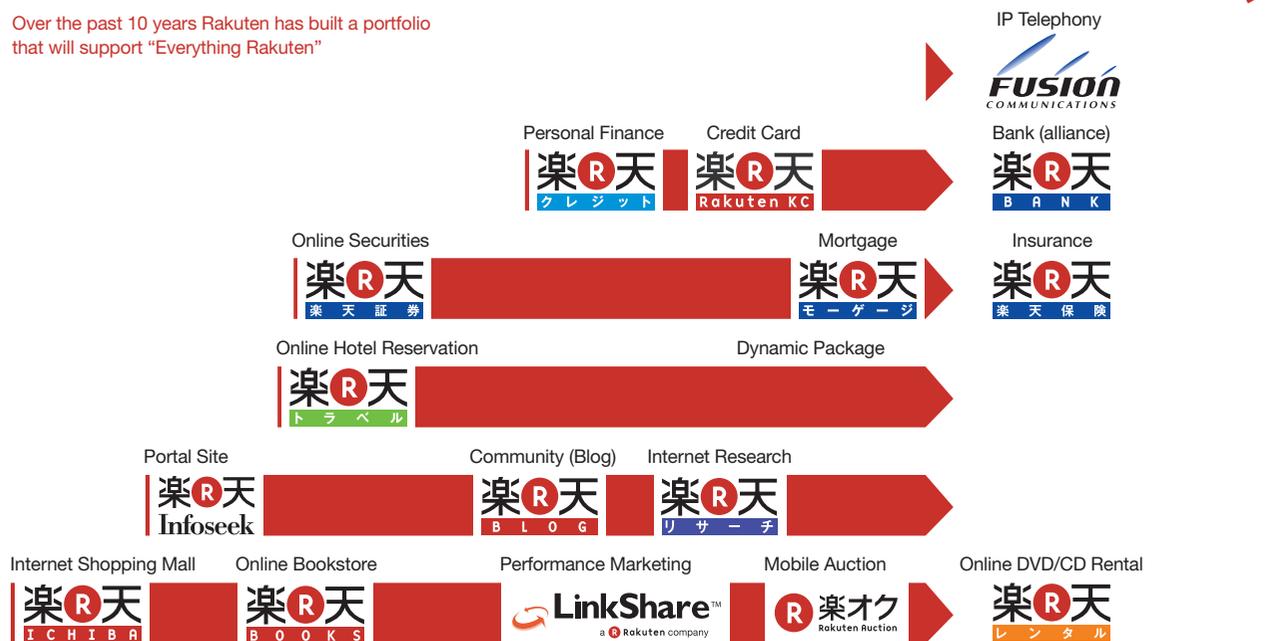
For example, the "Rakuten Super Point Program," a membership loyalty program designed to encourage the use of Rakuten Group services, allows consumers to migrate between services to gain more points, thereby maximizing the Rakuten Group's gross transaction value. The "Rakuten Card" is an house brand card that can earn these points through each transaction. It not only is a growing revenue source, but it also functions as a beneficial business application to link online business to conventional business. More precisely, the cardholder's transaction gives great insight into consumer behavior outside the Internet, which can be fed back and analyzed to benefit the Group's other businesses.

## Key Business Developments

1997

2007

Over the past 10 years Rakuten has built a portfolio that will support "Everything Rakuten"



To Our Shareholders

Who We Are

What We Do

Investing in the Future

Company Information

More importantly, the Group utilizes the “Rakuten Super Database,” the largest of its kind in Japan, to create dynamic communication through the maximization of the “Rakuten Eco-system.”

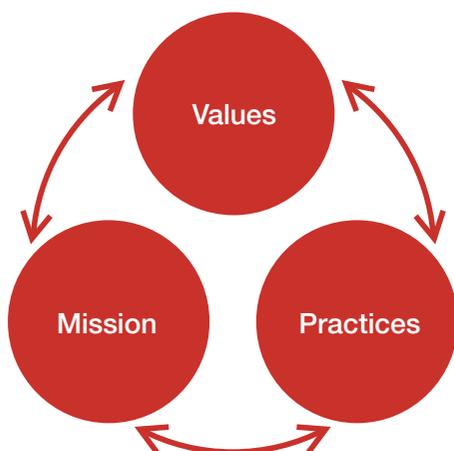
In order to profitably manage the Group’s diverse businesses, resources are carefully managed to control the profitability and growth of each business. However, investments into new businesses are also necessary for medium-to-long term growth.

At Rakuten, the key drivers of growth are believed to be the spirit of entrepreneurship and the encouragement shared across the Rakuten Group companies. It is a passion for learning, the will to challenge, the courage to change the unchanged, and the ability to create new values and services.

The Group is built upon common goals; to deliver innovative services, to perform in the medium-to-long term, to gain profit and to collaborate and spread success within and across the Rakuten Group.

### Rakuten Group Ethics

Under the brand concept, Rakuten aims to become the No.1 Internet services company in the world. Determination to contribute to society and enhance the corporate goals of the Rakuten Group to align with the common sense interests of our customers are emphasized.



Rakuten is a highly motivated “Winning Team” built upon common “Values,” “Mission” and “Practices.”

### The Rakuten Group’s goal shares “Values,” “Mission,” and “Practices” across a highly-motivated “Winning Team.”

#### We are a company that shares common “Values”

These Values are:

- (1) To stretch one’s ability to deliver performance which contributes to the innovation and revolution of society and creates a better world
- (2) To embrace the Group Brand Concept
- (3) To commit to empower business partners and colleagues with a strong belief in personal possibility

#### We have determined the “Group Brand Concept”:

1. We work to empower a fair society
2. We maintain our integrity with a profound sense of pride when engaging in business
3. We stand ready to execute decisions for success
4. We are completely committed to our mission
5. We foster teamwork. Teamwork brings success

#### We are also a company that shares a common “Mission.”

Our Mission is:

To enrich and innovate our society through the accomplishments of goals of individuals, and to embrace the potential for growth that the Internet offers to people and society; in other words we “empower the world” through the Internet.

#### The Group’s goal is to become the No.1 Internet Service Company

#### We are a company that shares common “Practices.”

These Practices are:

- (1) To accomplish the “Five Concepts of Success”, and proactively become a role-model of success
- (2) To promote a sense of ownership within everyone on a daily basis
- (3) To become the source of the Group’s strength: “thorough” and “innovative”

#### The “Five Concepts of Success” can be stated as:

1. Get Things Done
2. Complete Professionalism
3. Hypothesize, Execute, Verify, Incorporate
4. Customer Satisfaction Maximization
5. Speed!! Speed!! Speed!!

## Rakuten Group's Business Overview

**“We continuously invest in new businesses and services essential to the medium-term growth of corporate value, carefully evaluating their growth potential and profitability.”**

### Industry Overview

By the end of 2007, the number of Internet users in Japan surpassed 88.1 million, comprising 69% of the population. Over 90% of the population aged 20 to 50 now accesses the Internet using mobile devices such as mobile phones, and in 2007 the total number of mobile Internet users reached 72.9 million.

E-commerce is continuing to grow rapidly thanks to its ability to overcome the limitations of time and space, offer a wide range of products, and allow customers to compare prices and services available on the Internet. At the end of fiscal year 2007, the B2C e-commerce market was about 2.2 trillion yen, comprising approximately 2% of total retail market in Japan.

If we compare the penetration rate of e-commerce to the general retail business in the United States, which stands at approximately 9%, Japan still has room to grow. Significantly, we have greater growth potential as we enter the global market.

Further growth is also expected in the mobile-commerce market. This will be driven by improved operability of mobile devices due to rapid technology developments: 3G and 4G mobile phones, offering faster data transmission and larger, higher-definition displays.

### Financial Results for Fiscal Year 2007

In 2007, Rakuten celebrated its milestone of 10 years of growth. Today, it is recognized as the leader of the e-commerce market in Japan. Through the key phrase “More than Web,” the Rakuten Group has built a range of business applications to connect online business to conventional business, for example the “Rakuten Card.” We have also aggressively expanded and strengthened the “Rakuten Eco-system.”

The Rakuten Group works to expand its scope of business and improve the quality of its member services in a variety of ways. It also continues to invest in new businesses essential to the medium-term growth of corporate value. Careful evaluation of profit potential and a focus on high-growth opportunities is a top priority.

A variety of measures have also been taken to improve profitability. One of these is the introduction of the “Rakuten Super Point Program.” This is a membership loyalty program designed to encourage the use of Rakuten Group services, allowing consumers to migrate between services to gain more points; thereby maximizing the Rakuten Group's gross transaction value.

At Rakuten KC Co., Ltd., we implemented a series of business restructuring measures by conducting the transfer of the auto loan business in 2006 and reducing personnel, credit and general costs

throughout 2007. To culminate these efforts, we strengthened our business base by adopting a provision for the allowance of losses related to interest repayment claims. We now expect a significant reduction of costs relating to interest repayment claims from 2008.

In fiscal year 2007, the Rakuten Group posted consolidated net sales of 213,938 million yen, an increase of 5.2% year on year, and operating income of 119 million yen, a decrease of 99.6%. While Rakuten Ichiba, Rakuten Travel and other businesses continued to achieve high growth, operating income was negatively impacted by the effect of Rakuten KC's lump-sum provision to the allowance for interest repayment losses. However, a gain from the sale of shares of Ctrip.com International, Ltd. resulted in net income of 36,899 million yen, an increase of 1,265.3%. In a separate development, Fusion Communications Corp. and its subsidiaries, which provides voice communications services focused on IP telephony, were consolidated at the end of the third quarter and now form the Rakuten Group's new Telecommunications Business segment.

The performance breakdowns per the main businesses are as follows;

### E-Commerce Business

Gross merchandise sales of our Internet shopping mall businesses including Rakuten Ichiba and Rakuten Books was 537.0 billion yen, an increase of 26.8% compared with last year, due primarily to our continued efforts to support merchants and improve usability. Net sales of E-Commerce Business increased by 30.9% year on year to 75,512 million yen, with operating income up by 10.7% to 19,542 million yen.

### Credit and Payment Business

Net sales in this segment declined by 11.7% year on year to 70,196 million yen, mainly due to the business transfer at Rakuten KC Co., Ltd. Operating loss increased to 25,175 million yen (compared with operating loss of 6,150 million yen for the previous fiscal year) because we posted a provisional allowance for losses related to interest repayment claims.

### Portal and Media Business

Net sales of this segment declined 11.7% year on year to 7,510 million yen, mainly due to a decrease in advertisement sales that, in addition to development cost increases, resulted in an operating loss for this segment of 363 million yen (compared with operating income of 394 million yen for the previous fiscal year.)

### Travel Business

Gross booking value at Rakuten Travel increased by 22.6% year on year to 220.0 billion yen due to the increase of travelers for leisure purposes and the expansion of dynamic package tours and overseas travel reservations. Net sales for the Travel Business rose 23.4% year on year, to 12,910 million yen with operating income increasing 28.9% to 6,004 million yen.

### Securities Business

Due to negative impact from the slowdown of emerging markets in the Japanese stock market, net sales (revenues) of the Securities Business declined 24.6% to 30,556 million yen, resulting in a 62.6% decrease in operating income of 5,746 million yen.

### Professional Sports Business

Thanks to the increase in number of spectators attending games at the stadium, sales of tickets and team goods performed well in fiscal year 2007. Net sales for the Professional Sports Business rose 15.4% year on year to 7,553 million yen, while the operating loss was reduced by 40% to 837 million yen (compared with 1,396 million yen of operating loss for the previous fiscal year.)

### Telecommunications Business

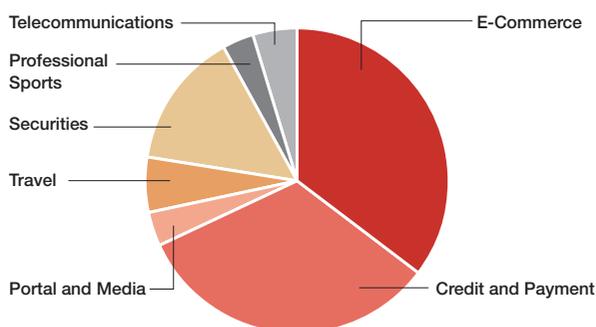
The Rakuten Group acquired Fusion Communications Corporation a provider of IP telephony business, and consolidated Fusion Communications and its subsidiaries as of September 30, 2007. Net sales of the Telecommunications Business were 9,700 million yen and operating loss was 394 million yen for the fiscal year 2007.

### Forecast for Fiscal Year 2008 and Seasonality

We forecast continued strong growth in the E-Commerce Business and the Travel Business. Meanwhile, costs in the Credit and Payment Business related to interest repayment claims are expected to be significantly reduced in the coming year. The Rakuten Group also expects a positive impact from newly implemented measures such as stricter budgetary controls and cost-cutting. We therefore expect continued improvement in financial results.

Historically we have experienced strong growth in the second half of the year (July to December). This is due primarily to the increased third-quarter demand in the Travel Business during the summer vacation period and strong fourth-quarter demand in the E-Commerce Business related to the year-end gift-giving season.

### Share of Net Sales



### E-Commerce Business 35.30%

**Business Units:** Rakuten Ichiba; Auction; Books & Media; Golf; Fine Wine; Automobiles; Delivery; Dining; Tickets; E-Cards; Business Service; Performance Marketing; Stuffed Animal Cards

### Credit and Payment Business 32.81%

**Business Units:** Personal Finance; KC, Banking (Alliance)

### Portal and Media Business 3.51%

**Business Units:** Infoseek; Advertising; Target; Research; Career Service; Blog; Downloads; Satellite Broadcasting; Internet Television; Cross Media

### Travel Business 6.04%

**Business Units:** Travel

### Securities Business 14.28%

**Business Units:** Securities; Capital Investments; Asset Management; Insurance

### Professional Sports Business 3.53%

**Business Units:** Professional Sports

### Telecommunications Business 4.53%

**Business Units:** IP Telephony

# E-Commerce Business Segment

## Rakuten Ichiba

**“Rakuten Ichiba’s focus is to deliver innovative ideas and initiatives based on the concept of “empowering the world,” and to become the No. 1 Internet shopping mall.”**

“Rakuten Ichiba” is an Internet shopping mall run on a platform that allows close interaction among all market participants. It is a B2B2C business which fulfills both the needs of the merchant and the user under the same business model.

Launched in 1997, before the Internet was widely popular, “Rakuten Ichiba” took the advantage against its competitors to lower the hurdle of business entry by setting a low-price contract fee and introducing a unique and easy-to-use system known as the “RMS (Rakuten Merchant Server).”

The initial target was to gain brand recognition and to increase the number of merchants which is the driver of transaction growth. Thanks to Internet expansion, the number of merchants increased dramatically. However, the transaction volume expanded to the system’s full capacity. Consequently, reinvesting in the business to secure a stabilized system became essential. In 2002, merchant contracts were reconsidered, and a new contract was introduced to secure capital expenditure. This decision was an important turning point for Rakuten, since a pay-per-transaction fee was added to the original fixed fee base contract. The direct impact on merchants was criticized by the media; however, the number of merchants not only was sustained, but increased after the new contract was introduced; a true proof of how Rakuten Ichiba’s business model is strongly tied to the performance of its merchants.

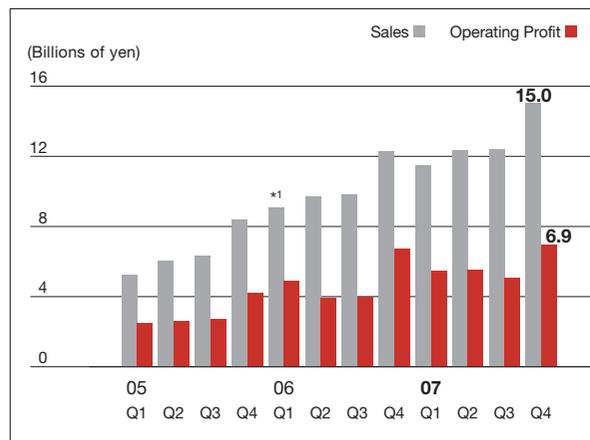
According to Nikkei BP Marketing Inc.’s Brand Japan 2008 survey, Rakuten Ichiba was the top general retailer brand, and 14th overall, up from 22nd place in 2006. Market share in domestic B2C e-commerce for 2007 was 24.5%, accounting for 537 billion yen of the 2.2 trillion yen gross sales merchandise market.

### What is Unique About “Rakuten Ichiba?”

Rakuten Ichiba offers equally diversified and customized benefits to both the merchant and user. Merchants have access to (1) the “RMS,” (2) massive traffic consisting of 35.9 million Rakuten Ichiba members, (3) consulting services provided by Rakuten’s ECC (“E-Commerce Consultants”): supervisors with expertise to support boost performance and efficiency of shop management, and (4) the “Rakuten University,” an offline educational academy providing shop management courses.

As for users, they have access to (1) a wide range of products — 20 million items, (2) a user-friendly interface, (3) the “Rakuten Super Point Program,” introduced in 2002, and (4) the “Safe Shopping Service,” a reliable service to ensure safe Internet transactions.

### Rakuten Ichiba Quarterly Results



\*1 Start of charge to Standard-contract merchants with 1 million yen or less monthly sales: introduced FY06 Q1

### “Rakuten Ichiba” Site Top Page



- ① Diverse variety of 20 million items 22,396 merchants
- ② “My Rakuten” customized page
- ③ Links to other Rakuten services

\* This site is for illustration purpose only, and services are available in Japanese only

\* Access: <http://event.rakuten.co.jp/en/>

\* As of December 31, 2007

On top of this, Rakuten Ichiba strategically utilizes the “Rakuten Super Database,” the largest-of-its-kind centralized database in Japan, which stores records of transaction patterns, customer behavior analysis, as well as specific customer information by age, gender, etc.

Rakuten Ichiba is expected to continue to grow at a double-digit rate; however, we see further room to grow our top line and boost the profitability of the business. Why? Because close observations are taken of the growing mobile market, the diversification of payment methods, the changing trends of advertising and consumer behavior, etc., and our strategic measures are adapted to each and every new development.

For example, we are launching new advertising products such as lead generation to reach out to business partners outside of “Rakuten Ichiba” and thereby maximize our profitability and power as an advertising medium. We have also added new functions such as “Reviews and “Ranking” to enhance ease-of-use. And to enforce internal operations, we have categorized product ranges into smaller units to facilitate even closer analysis and keep marketing approaches up-to-date. We have also opened new offices to enhance regional operation capabilities and launch region-specific

campaigns which yield significant contribution. Through these measures, we have, and continuously will drive GMS growth, diversify our main sources of income (contract fees and commissions from diversified services), and deliver a profitable business.

### What are Some Examples of Measures Taken During 2007?

Among the various measures introduced, the “Rakuten Web service” disseminated the Application Program Interface (API) to the public, thereby contributing to innovative development capability through the implementation of expert external utilization. We launched the DVD/CD rental service “Rakuten Rental.”

We launched the “Safe Shopping Service” to provide high reliability of Internet transactions. Though we are confident of the reliability of our services and actual cases are very limited, the prevalent fear of Internet fraud is one of the reasons for the low e-commerce penetration rate factors in Japan. In order to address these fears, “Rakuten Safe Shopping Service” was introduced, guaranteeing a 100% refund of purchase (one item per year, up to 500 thousand yen) when a product is not delivered.

## Rakuten University

“Rakuten University” is an offline educational academy which was established in 2000 to provide shop management expertise to Rakuten merchants. Courses have been developed and customized for “Rakuten Ichiba,” based on logical thinking methods.

Since we believe the communication and networking that develops among the participants during the courses is one of the most important achievements of schooling, courses are mainly conducted in classroom group discussions. In fact, one of the key factors that contributes to rapid performance improvement is the community spread all over Japan created by participants who willingly share knowledge to support one another.

Data shows that more than 80% of shop owners who earn more than 10 million yen on a monthly basis have already attended a course at the University, and more than half of the registered merchants have participated in at least one of the offered courses.

For merchants who face commuting restrictions, we plan to start a new e-learning program. We have also introduced new programs such as team-building and corporate philosophy management courses to meet requirements beyond shop management courses.



# Travel Business Segment

## Rakuten Travel



**Masashi Okatake**

Executive Officer,  
President of Rakuten Travel, Inc.

**“As we expand our local presence we also aim to become Asia’s No. 1 online travel agency through service enhancements.”**

The Travel Business segment consists of Rakuten Travel, Inc. and its subsidiaries, mainly providing online hotel booking reservations and travel-related services such as the “ANA Raku Pack” dynamic packages.

### Transition of Business

In March 2001, with the launch of the Rakuten Travel Website, Rakuten entered the online travel reservation business in August 2002; Rakuten Travel, Inc. The following year, Rakuten further expanded its business scale through the acquisition of “MyTrip.net,” Japan’s largest online travel booking service website “Tabi no Madoguchi”.

In 2006, Rakuten ANA Travel Online Co., Ltd., a joint venture by All Nippon Airways Co., Ltd. (ANA) and Rakuten Travel, was established. A new service was launched, called dynamic package tours, which allowed customers to flexibly combine airline tickets and hotel reservations through one-stop, online reservations at their convenience. This easy-to-use system contributed to the increased use of online reservation services, and although most reservations are still made through agencies, a significant channel shift is now under way.

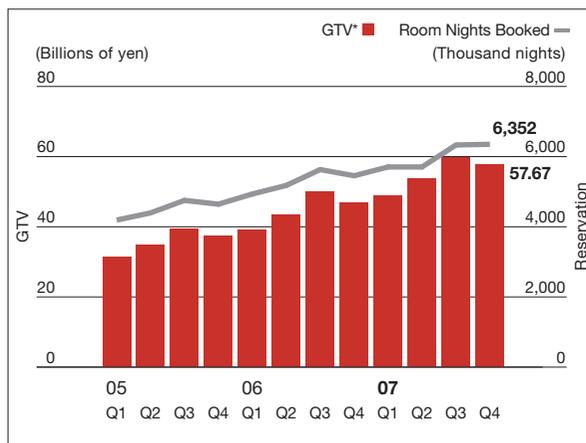
Thanks to the rapidly growing online business, in fiscal year 2007, the number of Rakuten Travel’s domestic traveler bookings grew to roughly 25 million, reaching the same level as the number of bookings through Japan’s largest travel agency.

Rakuten Travel proudly ranks as the No. 1 online travel site in Japan by gross transaction volume, recording 22.0 trillion yen, an increase of 22.6% compared to the previous year.

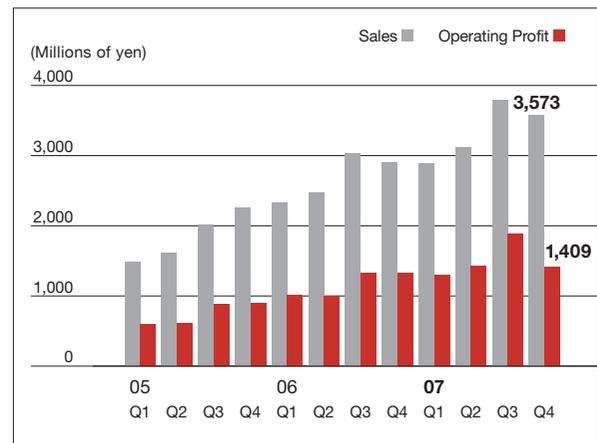
When we look at the domestic market transaction volume, (including hotel, transportation, and insurance of offline agencies) Rakuten Travel ranks No. 6 (counting only hotel reservations) marking 145 billion yen.

The 2006 total travel expenditure in Japan was 26.6 trillion yen, of which online domestic hotel reservations accounted for only around 1%. There is clearly immense potential left for growth in this business.

**Travel Business Gross Booking Value Trends**



**Rakuten Travel Quarterly Results**



\* Gross Transaction Value at time of reservation (before cancellation, tax calculated)  
 \* From 05/Q1, Overseas hotels gross bookings, overseas air travel gross bookings, and overseas hotel reservations included  
 \* From 05/Q4, Rakuten Bus Services Inc. included  
 \* From 06/Q1, international dynamic packaging included  
 \* From 06/Q4, domestic dynamic packaging included  
 \* From 07/Q4, domestic car rental included

To Our Shareholders  
Who We Are  
What We Do  
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Company Information

The main services we provide domestically are:

- Hotel bookings
- Dynamic package (DP) – a booking combination of flights and hotels
- Highway bus ticket reservations
- Rental car reservations

And for international services, we provide;

- International flight reservations
- Hotel bookings
- Overseas dynamic package

Other unique services we provide are:

- Pet hotel reservations
- Exclusive website for business class bookings
- Lottery site
- Auction site for hotel reservations

An interesting trend is that the ratio of gross booking transactions through mobile phones against total gross bookings has grown to over 10%, clearly indicating that mobiles have become a key area to emphasize for further growth.

During fiscal year 2007, major action plans were implemented to enrich our portfolio of services. The “ANA Raku Pack” expanded travel options for customers where travellers can choose different outbound and return destination cities, and make local reservations separately.

The “ANA@desk” which is mainly for corporate-use customers, now allows seamless flight and hotel reservations processing, and seat pre-reservation services.

The “Rental Car Pre-reservation” was the first ever service launched in Japan to track real-time inventory and reserve online for all major rental car companies.

**Ongoing Initiatives:**

Rakuten Travel is focused on expanding its businesses in three areas, referred to as the “Three Dimensional Growth Strategy,” determined by category, geographic area, and service.

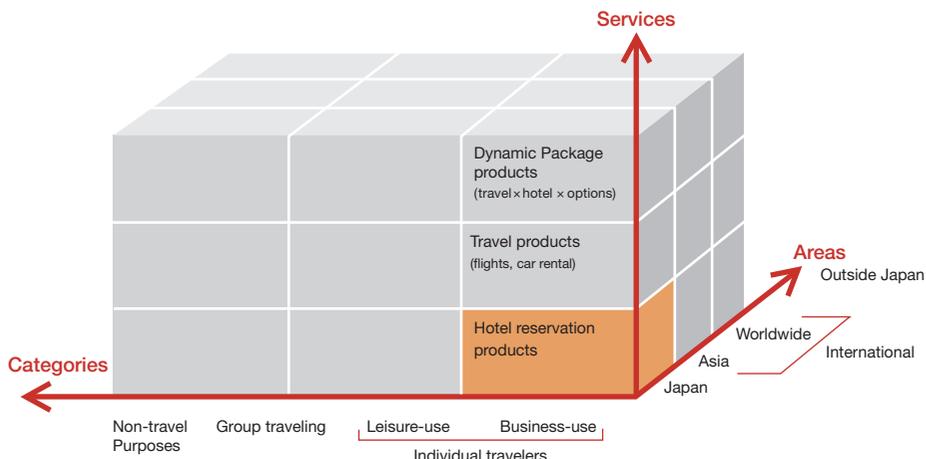
- By category, it will expand booking arrangement services from business use, to leisure use, and to group traveling, extending its services beyond today’s main booking purposes.
- By geographic area, it will extend its business field to the rest of Asia and the global market. In the mid-to-long term we will dedicate more resources to Asia with the goal of becoming “the No. 1 online travel agency in Asia”
- By service, it will enrich the lineup of services from hotel bookings to air ticket reservations, rental car arrangements, and optional services including additional flexible dynamic packages, in order to address a wider range of customer requirements.

In line with these strategies, Rakuten Travel is reinforcing its marketing operations to further support the needs of contract hotels and business partners. System improvements are ongoing, and regional offices are being opened and enhanced to promote “tie-ups” for marketing campaigns. The enrichment of local information and reinforcement of call centers play a greater role as the “real channel” interfaces and have increased the number of leisure-purpose travelers.

The ultimate goal is to expand and focus beyond the domestic and business-travel subsectors, to become a full-service online international travel service provider.

**Three Dimensional Growth Strategy**

Expand beyond the domestic and business-travel subsectors to become a full-service online travel provider



# Credit and Payment Business Segment

## Rakuten Credit, Rakuten KC and Rakuten Bank (Alliance)



**“The Credit and Payment Business segment has established a concrete position as an online financing company through the maximization of the Group’s synergies.”**

The Credit and Payment Business segment consists mainly of Rakuten KC Co., Ltd., Rakuten Credit, Inc., and Rakuten Financial Solution, Inc. The business is primarily concerned with the credit card and consumer loan businesses, as well as a banking service tie-up with Tokyo Tomin Bank, Limited. The business provides a wide range of settlement services within the “Rakuten Eco-system.”

**Masayuki Hosaka**

Executive Officer  
 President of Rakuten KC Co., Ltd.  
 Director of Rakuten Credit, Inc. (as of June 2008)

### Transition of Business

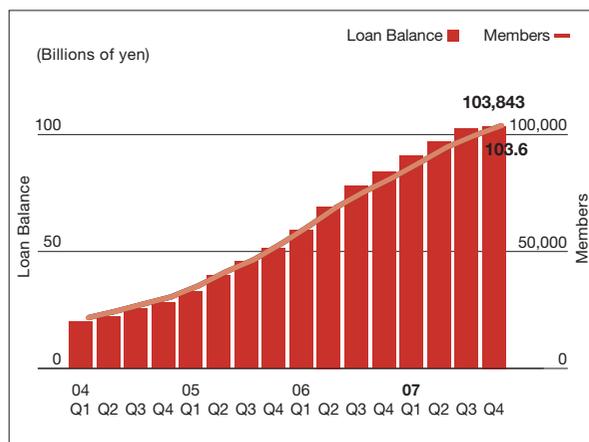
To further accelerate its E-Commerce Business, Rakuten needed to encourage the use of credit cards, the major payment method for online shopping. Therefore in 2004, Rakuten chose to enter into the full-scale personal finance business.

Among the distinguishing features of the Rakuten Card, the house brand card for the Rakuten Group is that once users acquire the card, the value of their shopping transactions on Rakuten Ichiba increases by around 50%. Analyses also show that cardholders frequently use the Rakuten Card for purchases outside of Rakuten’s services in order to gain Rakuten Super Points. The personal finance business plays an important role, particularly considering the overall effect it has upon the Group’s businesses. Through the financial business, Rakuten not only gains the transaction from card use, but it also obtains offline transaction data of its card holder which can be fed back and analyzed to benefit the Group’s other businesses.

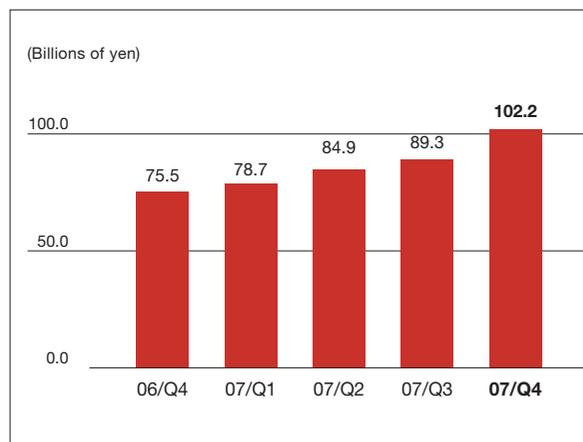
### Rakuten Credit (Personal Finance)

Rakuten’s credit business was launched in 2004 with the acquisition of Aozora Card. For the personal loan card “My One Card,” Rakuten implemented measures using a point campaign for new card applicants through Rakuten Ichiba, Rakuten Travel, Infoseek and other Group channels, and consistently offered special promotions to Rakuten Group users. As a result, the number of applications for cardholder contracts received through Rakuten Group services increased substantially. The balance of operating receivables, which was around 25.6 billion yen at the time of acquisition, rose to 103.6 billion yen. The customer base consists primarily of well-off businessmen in their 40s, of which 45% are Rakuten members. The credit worthiness of Rakuten’s customers is first tier and the average interest rate stands at a low level.

Loans Receivable Balance



Rakuten KC: Credit Card Shopping Transaction Volume



## Rakuten KC

At first, the Rakuten Card was issued through a tie-up with Mitsui Sumitomo Card in 2004, but the tie-up benefits were very limited. In order to perform more flexible business operations, in June 2005 Rakuten Group acquired Kokunai Shinpan Co., Ltd., (renamed as Rakuten KC Co., Ltd.). With the issuance of the house-card, “Rakuten Card” by Rakuten KC, the credit card service became a new source of revenue for Rakuten and, moreover, accelerated the frequency of settlement by credit cards.

At the end of fiscal 2007, Rakuten KC’s credit card shopping transaction volume rose 53.3% from the previous fiscal year to 355.1 billion yen. The effect of double point offerings through the Rakuten Super Point Program and actively advertising strategies through various services within the Rakuten Group, was that the number of cardholders also rose steadily; Rakuten KC has 3.0 million credit card holders as of December 2007, and the customer base consist of middle-tier consumers.

In 2006, Rakuten KC implemented a restructuring plan that included transfer of the auto loan business to Orient Corporation. It cut general expenses through consolidation of offices, reduction

of personnel, constriction of bad-debt related costs through tighter credit risk controls, and various other efforts. The final measure of this business restructuring was a 25.0 billion yen capital injection from Rakuten, Inc. for additional provisioning to the allowances related to interest repayment claims by the revision of the estimation method of the future risks from the end of December 2007, and Rakuten KC has recorded an operating cost for the 25.1 billion yen difference from the previous method.

Rakuten KC has renovated its primary business strategies and operations from a local auto loan and installment business to a credit card business tied with Internet services.

## Rakuten Bank (Tie-up with Tokyo Tomin Bank)

Tokyo Tomin Bank opened “Rakuten Bank@TTB” in July 2007, taking advantage of the strengths of both firms. The tie-up allows Rakuten to offer a wide range of convenient Internet-based financial services to Rakuten members, while Tokyo Tomin Bank is able to utilize the Rakuten brand and our expertise in Internet-based marketing.

## Financial Related Services Outlook

\* As of December 31, 2007

<p>Rakuten Credit</p> 	<p><b>Loan business for upper-tier consumers</b></p> <p>-Loan assets: 104 billion yen</p>	 <p>“MY ONE Card” (financing card - loan)</p>
<p>Rakuten KC</p> 	<p><b>Credit card business</b></p> <p>-Number of total card holders: 3.0 million</p> <p><b>Loan business for middle-tier consumers</b></p> <p>-Loan assets: 116 billion yen (credit card) -Loan assets: 99 billion yen (finance card)</p>	 <p>“Rakuten Card” (mainly card shopping usage)</p>  <p>“Money Card” (financing card - loan)</p>
<p>Rakuten Bank@TTB</p> 	<p><b>Rakuten Branch of Tokyo Tomin Bank (alliance)</b></p> <p>-Accessible 24 hours 7 days a week through the Internet and mobile phones -Convenient settlement services for Rakuten members -E-money “Rakuten Cash” operation</p>	

# Securities Business Segment

## Rakuten Securities



**Atsushi Kunishige**  
Executive Deputy President,  
Representative Director

**“We will acquire and approach new customers through maximization of the Rakuten Eco-system, and by changing personal asset management.”**

The Securities Business segment mainly consists of Rakuten Securities Holdings, Inc. and its subsidiaries, including Rakuten Securities, Inc. The business provides online securities brokerage and other services. Believing that participation in the finance industry would create greater synergies and allow the Rakuten Group to expand its extensive offerings, Rakuten decided to enter the securities brokerage business in 2003 by acquiring the major online broker, DLJdirect SFG Securities (currently Rakuten Securities, Inc.). Today, one-third of all new Rakuten Securities accounts are opened through Rakuten Ichiba users, an excellent example of the Rakuten Group’s synergistic benefits.

### Building a New Business Portfolio

Rakuten Securities is focused on reforming its business portfolio to avoid risks from the domestic stock market by expanding income sources with the following product lineup of Nikkei 225 mini, BRICs and EFTs, South African bonds, and other investment trust funds in 2007.

Also, domestic stock services will continue to improve through a number of initiatives, including: (1) “Market Speed” real-time trading software; (2) “iSPEED” mobile trading software; and (3) “Raku Raku Support,” a PC support service with remote access. Despite the sluggish domestic market, the total number of accounts steadily increased, reaching 750,000, and the total number of iSPEED downloads was 300,000.

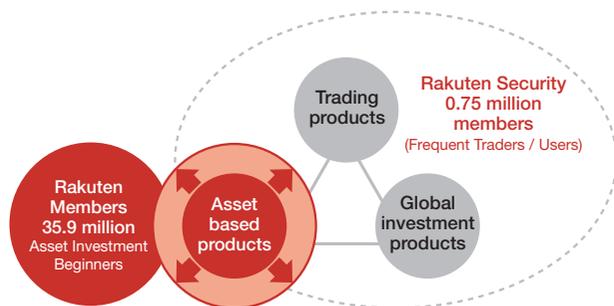
In order to gain profitability, business restructuring has been introduced into Rakuten Securities. The Business Unit (BU) management system has been introduced to monitor, analyze and execute cycles per BU to improve operations in the following three areas; (1) The website was redesigned to enhance the matching efficiency of the asset products, known as Japan’s broadest investment trust fund lineup. Various offline seminars and e-learning courses have also been introduced to help customers meet their needs.

- (2) Global investment opportunities, such as foreign bonds with varied currencies and ETFs, have become widely available through the offering of the global product portfolio.
- (3) Margin trading services have been strengthened to secure the environment for the trading products portfolio. FX services and derivative products are scheduled to be updated.

Rakuten Securities aims to change the way customers approach personal asset management by offering its diversified product portfolio at a lower fee with an easy-to-use website. Unlike the existing 750,000 Rakuten Securities members who are more experienced investors, the 35.9 million Rakuten members are investment beginners. Through the expansion of beginner-targeted services, such as trust funds and asset management services, low-cost, easy-to-use financial products will be created. And a diversified portfolio of offerings will support customers as they build wealth.

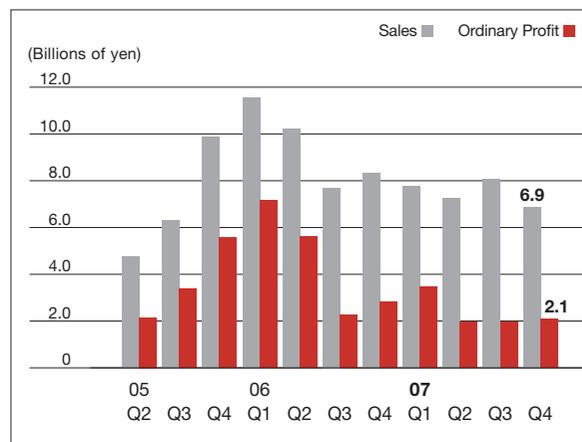
In line with this, cost reductions through integrating datacenters and main databases, as well as disposing of non-operating software and servers to enhance profitability will be introduced.

### Empowering Personal Asset Management of Rakuten Members



Unlike Rakuten Securities’ more traditional experienced investors, most Rakuten members are just beginners at personal asset investment. Rakuten Securities’ focus is to offer industry-leading personal asset investment.

### Rakuten Securities Holdings, Inc. Quarterly Results



To Our Shareholders

Who We Are

What We Do

Investing in the Future

Company Information

# Portal and Media Business Segment

## Infoseek, Advertising and Others

**“The Portal and Media Business segment has contributed to the Group by acting as a gateway to attract immense traffic to the Rakuten Group’s services. Through launching diverse advertising products, the Rakuten Group’s Membership database and strong brand recognition will serve to accelerate the monetization model.”**

The Portal and Media Business segment consists mainly of Infoseek, Advertising, Rakuten Research, Inc., Rakuten TV, Co., Ltd. and College Students’ Portal Community, Inc. (*Minna-no-Shushoku*). It focuses on the operation of Internet portal sites and advertising, as well as staffing services, online research, and distribution of broadband content.

### About Advertising

Infoseek’s revenue derives mostly from advertising and functions as a “marketing solution” for clients who wish to promote their products and services through Rakuten, and assists to market products across multiple Group sites. To expand the business into a new phase to implement measures designed to generate profit from external clients through personalization and lead generation technology based on individual behavioral histories, and demographic and other data stored in the “Rakuten Super Database,” we will approach new customers and extend the source of revenues.

### About Infoseek

In December 2000, Rakuten acquired the Internet portal site operator “Infoseek Japan K.K.” from the Walt Disney Company with the objective of shifting from an Internet shopping mall concept to a more broad-based general media corporation. It gained exclusive rights to the company’s technologies and brand to begin to offer numerous types of content and services.

Today, our main services are:

- A search engine to match the needs of users looking for various goods and services
- Infoseek Money, offering financial news and information

### Infoseek Site Top Page Renewal

Improve usability and experience, and increase ability to customize based on user needs



- Rakuten Women, offering content specifically tailored to women
- Rakuten Blog, an Internet blog service
- Rakuten Map, a map with review sites which creates virtual local communities

### What is the Positioning of Infoseek?

Infoseek is the gateway by which the Rakuten Group’s Internet services attract new users and media.

It has expanded its content and grown as a result of the diversification of user lifestyles and hobbies and has become a hub linking various Group services.

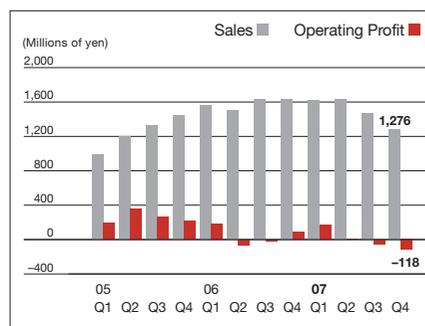
Infoseek is approaching the largest potential customers, the Rakuten Group members, with comprehensive and prompt services in order to position Infoseek as their primary portal site. Beta testing of the new website is currently under way. And the behavioral targeting advertising service as well as the new lead-generation business model have also been launched.

### Other Businesses

We also operate “Minna-no-Shushoku (Jobs for Everyone)” known as one of the most popular Internet websites for new graduates seeking post-graduation employment.

Rakuten Research, Inc., an online research business was also acquired in 2005, which provides online surveys and targeted e-mail lists for use in promotional activities.

### Infoseek and Advertising Businesses Quarterly Results



\* Including multiple BUs: Infoseek BU, Advertising BU and Human Resource-related businesses

## Telecommunications Business Segment IP Telephony (Fusion Communications)

**“Joining the Rakuten Group has contributed greatly to the improvement of Fusion Communications’ performance under the ongoing business restructuring plan.”**

The Telecommunications Business segment consists of Fusion Communications Corporation, which recently became a consolidated subsidiary of Rakuten, Inc. The primary business is the provision of telecommunications services such as IP network and IP telephony services.

### Transition of Business

Fusion Communications and its affiliated companies were acquired on August 7, 2007. We are developing a business model that combines the technological prowess and stable operations of IP telephony pioneered by Fusion Communications with the wide range of Internet-based services delivered by Rakuten. New business opportunities outside the Internet, such as adding a voice telecommunications service are being considered.

Since joining the Rakuten Group, rapid performance improvement has been realized due primarily to effective cost restructuring measures and enhancements to operating efficiency.

### Business Updates

To achieve growth through existing products and services, we plan to:

- 1) Formulate business restructuring plans to renovate existing businesses under the new management
- 2) Thoroughly analyze each business’ profitability and cost structure by utilizing the business unit management system introduced in December 2007
- 3) Strategically review the terms of service mostly with those large-scale contractors
- 4) Significantly cut fixed costs by integrating the existing network of TTNNet

### Ongoing Initiatives

To achieve further growth, we are focused on the following activities:

- 1) Delivery of profitability through the comprehensive and rapid implementation of restructuring plans
- 2) Introduction of measures to improve the revenue of existing businesses in order to grow the top line (e.g. further support to distributors)
- 3) Development and launch of new businesses that leverage synergies with the Group’s services

Fusion Network Service, a subsidiary of Fusion Communications plans to introduce an Internet service provider (ISP) business called the “Rakuten Broadband ADSL 10M” in 2008. It will actively promote ISP services by approaching the 43.9 million Rakuten Group members, a zone that would drive further potential growth.

# Professional Sports Business Segment

## Rakuten Eagles



**Toru Shimada**

Senior Executive Officer and Director  
President of Rakuten Baseball, Inc.



**“Since its inception, Rakuten Baseball, Inc. has continued to grow and evolve.”**

The Professional Sports Business segment consists of Rakuten Baseball, Inc. and its subsidiaries. It manages the Tohoku Rakuten Golden Eagles (“Rakuten Eagles”) professional baseball team, as well as the planning and selling of goods related to the team.

### Transition of Business

In November 2004, the Tohoku Rakuten Golden Eagles was accepted as the first new Japanese professional baseball team in 50 years.

It has successfully attracted fans from day one, and in the three years since its remarkable entry into the professional league, it has become one of the most popular, well-known baseball teams among fans. Today, marketing metrics show that the annual marketing effectiveness of the team amounts to 6 trillion yen.

The philosophy of the “Tohoku Rakuten Golden Eagles” is to deliver inspiration and dreams through baseball: it is a “Baseball Entertainment Company.”

Taking advantage of its role as being the newcomer, the Rakuten Eagles team has been keen to promote Japan’s national sport as a true entertainment business. It has brought new ideas into the industry, and its boldness has been recognized as unique and innovative, contributing to a major boost in brand recognition. More importantly, the Rakuten Eagles team has contributed to the acceleration of the Group’s overall business objectives.

### What is the Team’s Vision?

- 1) To build a strong team
- 2) To develop a close relationship with the local region
- 3) To maintain a well-balanced management style

In order to ensure the team’s continual growth and desire to become a stronger, more greatly admired team; Rakuten Eagles has heavily invested in a variety of initiatives to achieve its goals.

To change the image of baseball games, it enhanced its business model by emulating the Major League style. This not only attracted the fans who came to enjoy the game, but it also contributed to

changing the image of the baseball business.

Technical and scientific approaches were introduced into training programs, and a more business-like approach was utilized in the formation of the team.

The exciting games and accompanying entertainment activities at the new “Ball Park” attracted the local fans and most notably those who were not traditionally baseball fans.

Recently the expectations of winning more games and the great performances of many of the young star players have attracted even more fans that are still increasing steadily. The sales of goods, food and beverages at the stadium are also increasing.

On the financial side, operating loss is still expected for a certain period due to the initial investment in the start-up and renovation of the stadium, though brand recognition continues to positively contribute to the Group’s business.

The significant economic benefit the team has brought to the local region is a notable factor which has been given frequent attention in the papers.

Today, players put great effort into strengthening regional ties to attract local fans. They take part in developing education programs for local children, visiting schools, hosting baseball workshops, and participating in social activities outside the ballpark.

We are proud that our locally rooted business model has been recognized with the admiration that comes with a great success story, and even more so, that our initiatives have brought new inspiration to change the industry’s old customs.

Enhancing the brand value of the Group is just one goal of the professional sports business segment. Rakuten Eagles’s goal is to deliver profitability through our professional sports activities.



## Global Expansion Strategy The Rakuten Group's Strategy



**Kentaro Hyakuno**  
Executive Officer  
Head of Global Ichiba Business Unit

**“We will continue to empower the markets we enter, and become the No. 1 Internet service company”**

### Overseas Expansion: Objectives and Strategy

Rakuten has seen broad and significant progress in the 10 years since its entry into the e-commerce business.

Today, Rakuten embarks on a new path to build new bridges into the global market. Each step will help Rakuten pursue and achieve fundamental, sustainable and long-term growth.

Entry into the market began when steps were taken with the travel business back in the early years.

Following that, in 2005, Rakuten acquired LinkShare Corporation, an affiliate-marketing services company in the U.S. as a way to enter the global market. And in November 2007, “Rakuten Ichiba” marked its first ever global expansion of the shopping mall model into the Taiwan market.

Though Internet service businesses in Japan still see greater capacity and further growth opportunity for the mid-long term, the population remains stable at 130 million, whereas the global population is 6 billion. To achieve further growth, we are committed to more fully compete in the global market.

As we enter different regions of the world and open our services to other markets we will face new challenges. We have built a strong brand in Japan, however, which is supported by industry-leading assets, such as the largest-of-its-kind membership database, a

unique system which supports immense transaction volume and a decade of experience operating a successful e-commerce business. We are proud to be the largest online shopping site in Japan, marking continuous growth year over year. The business portfolio which has grown into a wider range of offerings now allows Rakuten to leverage these diverse services among our different segments. We will take full advantage of our leading position in Japan and build upon our strengths to grow on a global scale.

### How Will We Realize More Growth and Opportunity?

We differentiate ourselves from our competitors through our key business assets by;

- The professional expertise of efficiently operating online shops, leveraging the know-how of the ECC (E-Commerce Consultant)
- “RMS,” a unique, easy-to-operate shop-management system
- “Rakuten University,” an offline educational academy course available to merchants
- “Rakuten Super Point Program,” a loyalty program, designed to sustain the largest scale membership database in Japan
- The synergy of our diverse range of businesses, the “Rakuten Eco-system,” etc.

# Global Expansion Strategy

## Rakuten Travel's Global Strategy and LinkShare Corporation

Encouraged by strong growth in domestic operations, Rakuten's overseas hotel reservation service started in March 2000, under the name of "Tabi no Madoguchi," run by My Trip.Net.

In 2002, My Trip entered the Chinese market, establishing a local branch in Shanghai, to take a step ahead to capture the increasing flow of inbound and outbound travelers.

Following that, after My Trip joined the Rakuten Group and was renamed as "Rakuten Travel," it entered Seoul, South Korea in 2004 and Guam in 2007. These overseas branches play a key role in the development of new hotel contracts, local travel research, website management training and consulting services for local contractors, and as local points of contact to facilitate favorable agreements.

Asian countries have unique features that require deep understanding. Thus, establishing a presence in select regions will help facilitate significant growth potential within Asia.

### How Are We Doing Today in the Asian Market?

According to the Japan Association of Travel Agent in 2006, the market for outbound international travel (Japanese people traveling abroad) was worth 6.2 trillion yen, and the inbound international travel market (foreign visitors traveling to Japan) was worth 1.4 trillion yen. A vast potential for market share gains can clearly be seen in these figures.

To attract overseas travelers, we have redesigned our English language website and now offer booking services for accommodations in China, South Korea, and other Asian countries in addition to Japan. We will have an office in Thailand in 2008 to support those locally-based services.

### What Are the Goals for Globalization of Rakuten Travel?

Highly qualified services will continue to be launched as the quadruple language websites attract even more users. We will boost transaction volume in Asia to become the leading travel agency within the area, and then take further steps toward becoming the world's leading travel agency.

### LinkShare Corporation (U.S.)

In September 2005, Rakuten acquired LinkShare Corporation, a U.S. based affiliate-marketing services company which provides leading full-service online marketing solutions specializing in the areas of affiliate marketing and search (SEM) and lead generation.

The LinkShare network facilitates transactions between thousands of publishers (affiliates) and over 600 of the world's leading companies and brands. Its patented unique tracking method is also a key asset that helps drive the growth of the business.

LinkShare continues to grow operations in North America, the United Kingdom, Japan, and other areas of Asia and Europe, diversifying its service offerings in ways that provide additional value for advertisers, publishers and consumers.

Real-time online booking on travel websites designed in different languages



English website  
<http://travel.rakuten.co.jp/en/>



Korean website  
<http://kr-travel.rakuten.com/>



Chinese website  
(simplified characters)  
<http://tabimado.net.cn/>



Chinese website  
(traditional characters)  
<http://tabimado.net.cn/>

# Global Expansion Strategy

## Rakuten Ichiba Taiwan

**“Rakuten Ichiba’s arrival in the global market has been marked by the entry into the Taiwan market.”**

In November 2007, an agreement was reached with Taiwan-based President Chain Store Corporation to establish Rakuten Ichiba Taiwan, a joint venture company. President Chain Store is a leading retail distributor with 30 years of history, whose flagship “7-Eleven” business dominates the Taiwanese market. The capital and paid-in capital of “Rakuten Ichiba Taiwan” is approximately 600 million yen, 51% for Rakuten and 49% for President Chain Store. Great synergies deriving from the strengths of each entity are expected to be seen with the launch of service in May 2008.

### Taiwan’s E-commerce Market

The number of Internet users in Taiwan has reached 15.5 million, with 68.5% of the total Internet population of users over the age of 12, an increase of 0.7% over the previous year, and 90% plus of those less than 35 years old. Though Internet penetration is higher in the younger generation, online shopping penetration is only 2.3% of the total retail business. Therefore, a tremendous opportunity for rapid growth in Internet shopping is yet to be realized.

“Rakuten Ichiba Taiwan” will provide the same comprehensive support systems that Rakuten provides to its Japanese merchants, in order to support Taiwanese merchants and to facilitate a successful online shopping experience. Services include the EC consultation service, Rakuten University courses, and the RMS, the unique shop-management system engineered by Rakuten.

The aim of the “Ichiba model” is to empower the market’s retail industry (including small and medium-sized enterprises) and to help regional economies grow. It also aims to provide a wide range of products to Internet users to make online shopping an enjoyable experience for them.

President Chain Store recognizes the advantages of partnership with Rakuten in areas such as the systems and skills of Internet shopping that Rakuten Ichiba has acquired through its leading position in Japan, and the combination of its logistical and network strengths. Rakuten also presents an opportunity to gain a stronger online presence and to cement its leading status within the retail distribution industry.

### Medium-to-Long Term Management Strategy

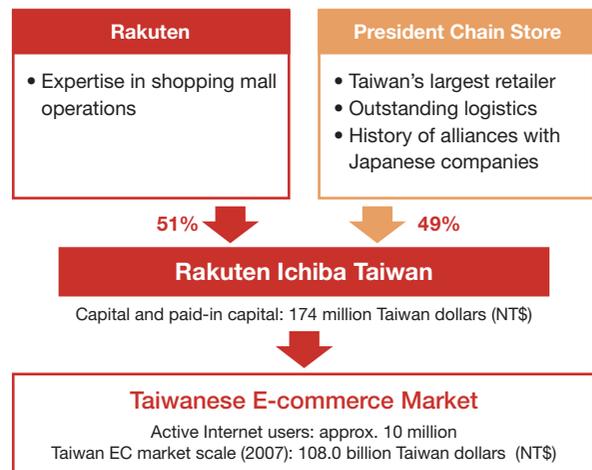
Looking ahead, Rakuten Ichiba Taiwan’s policy calls for it to popularize a new Internet-based lifestyle among consumers in Taiwan and extend the services provided by Rakuten to a broader range of users, in other words, to expand the “Rakuten Eco-system.”

### “Rakuten Ichiba Taiwan” Site Top Page



Access: <http://www.rakuten.com.tw>

### Rakuten Ichiba Taiwan



\* NT\$1 = US\$0.03, JPY 3.74 as of December 31, 2007

# Global Expansion Strategy

## Rakuten Europe and other Regional Expansion

Following “Rakuten Ichiba Taiwan,” Rakuten will continue to enter other markets in Europe, Asia, and other countries. In 2008, Rakuten established a regional hub in Luxembourg, “RAKUTEN EUROPE S.À R.L.,” which will play a key role as the central coordination entity. It will hold corporate functions such as strategic planning, and HR training, and will serve as a logistics base. Rakuten will also seek opportunities to introduce other businesses besides “Rakuten Ichiba” into Europe and thus utilize the functions of the central coordination entity.

As we plan to start the Rakuten Ichiba service in countries inside and outside of the European Union and other regions, we will be offering opportunities to those that wish to take advantage of the benefits and strengths of the Rakuten Group.

### What is Our Ultimate Goal?

We provide services to support local small and medium-sized enterprises (SMEs) to increase their economic scale and enhance the community by expanding their reach of exposure to their products and services. This again contributes to regional economic growth keeping more transactions within the country. And most importantly, it will allow more diverse services and products to enrich the lives of the local population.

Rakuten’s global expansion primarily aims to support SMEs around the world in two ways: first, create and open new markets in which they can sell their products within their local area and then, make such products available across country borders. We will bridge one country to another, creating links enabling people to obtain a variety of products without boundaries.

The entry into the global market may mean Rakuten will face more severe competition. However, we believe that this will reinforce the Group’s strength of becoming more sophisticated and even more competitive by learning to adapt to the specific needs of different marketplaces. Our ultimate goal is to become the No. 1 Internet service company in the world.

### Globalization of Rakuten



# Organization and Human Resources

**“Our people and Rakuten are progressively growing. The foundation of sustainable growth is organization and human resource management.”**

## Management Policy

Investment in organization and in people is the foundation for Rakuten’s future growth. We believe it is essential for any corporate group aiming for further innovation to realize efficient operations.

At Rakuten, three types of growth are being pursued: 1) Business expansion—centered on the Internet shopping mall business model, “Rakuten Ichiba;” 2) Service expansion—the diversification of service offerings; and 3) Geographic expansion—reaching throughout Japan and beyond, towards the global market. Going forward, we recognize that strengthening the Rakuten Group Organization is the key to achieve our goal: To be a company that delivers profitable and sustainable growth.

## Growth Management Program

Rakuten introduced the Growth Management Program (GMP) in 2006 aiming to enhance the growth and profitability of its diversified businesses. Earlier, businesses were organized within five segments called the “in-house companies system” which was introduced in 2003. These segments were further subdivided into more than 30 “business units” (BUs), which were categorized and scored against GMP metrics; by business scale and profitability.

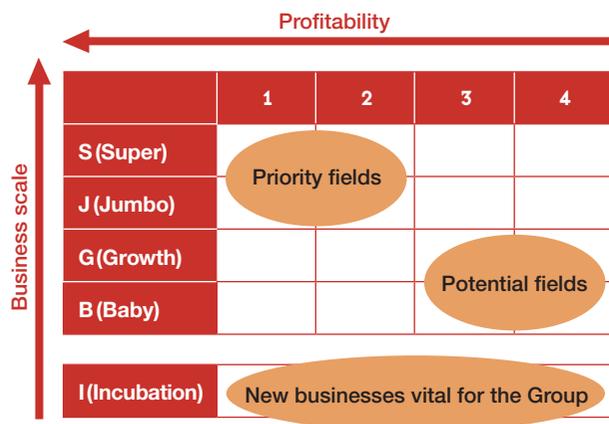
The new GMP system allows us to establish a monitoring process of all the BUs’ performance, helping to outline strategy plans to ensure the Group’s sustained growth and profitability over the medium to long term. The GMP is also introduced when considering latent earning potential, allocating management resources into each BU, establishing a basic business framework, identifying less-profitable businesses, and considering business withdrawal. Through the GMP, we have significantly improved the quality of business portfolio management.

## Accelerated PDCA Cycle and Operational Excellence

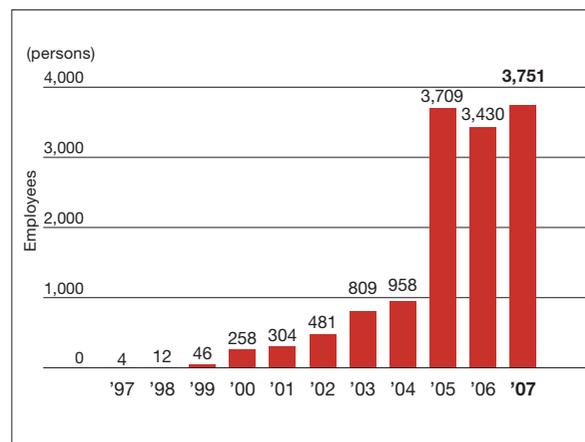
“Kaizen” is a daily activity at Rakuten. It is a key indicator to improve productivity and performance. Especially, we emphasize speediness in order to realize operational excellence with our “Hypothesize, Execute, Verify and Incorporate” cycle, which is similar to the “Plan-Do-Check-Action” cycle. Efforts are made to reduce the PDCA cycle from a monthly to a weekly basis, helping to identify problems before they cause serious loss and to take immediate and necessary measures toward improvement. During the development process of new businesses, this cycle is accelerated to make small changes, monitoring results, and rapidly adapting new improvements through

## Growth Management Program (GMP)

A business portfolio management system to  
 (1) Monitor growth and profitability  
 (2) Allocate resources effectively



## Rakuten Group Employees



\* Employees excluding directors, auditors and part time workers

continual aligned trials. This is the concept of “start small, and earn large results.” At Rakuten, operational quality and efficiency is also important. Precise operation eliminates waste in business processes and improves efficiency. We believe this is an essential element for sustainable growth.

### New Management System for Human Resources

While Rakuten has a strong organizational structure, we decided to prioritize investment in our people. We introduced a new management system for human resources and reinvested in personnel development. The new management system aims to foster employees who are willing to take actions and initiatives voluntarily to solve problems. It is also establishing a scheme to further enhance ability to evaluate and award individual business efforts. It is also designed to embody a management structure based on Rakuten’s “Concepts of Success”: Hypothesize, Execute, Verify and Incorporate. A management system based not simply on evaluating results, but also firmly rooted in the work process.

Rakuten offers a diversified training program to provide employees with opportunities for greater professionalism and career advancement.

“Rakuten Boarding School”: a comprehensive education program designed to aid in understanding and realizing in everyday-life, the concepts and philosophy embraced at Rakuten.

“Rakuten College”: available for those willing to take advanced IT training courses.

“Management Program”: intensive job management courses for Managers to improve management skills.

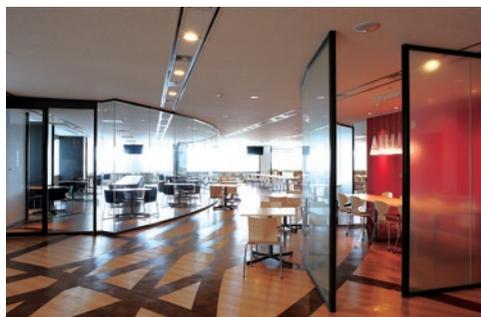
### “Rakuten Tower”

Rakuten’s offices have been consolidated in the new head office building, “Rakuten Tower,” built on the waterfront of the Shinagawa Seaside area of Shinagawa, Tokyo. The new headquarters offer various features to help motivate personnel. The facility is not only equipped with functional hardware, but is also equipped with software designed to develop employees’ skills to their full potential.

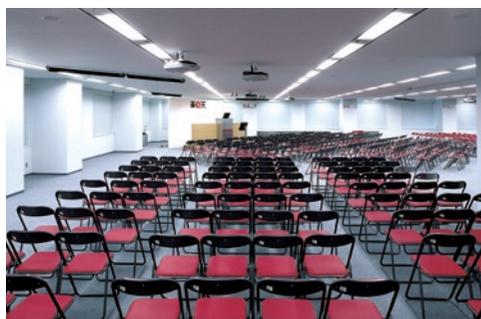
Rakuten Tower has dedicated areas for an internal all staff meeting every Monday morning, called the “Asa-kai” (morning session). It functions as the source to share Rakuten’s strategic and operational updates. “Rakuten Library,” a library to foster learning willingness, and “Rakuten University,” a classroom dedicated to courses for merchants. A fitness gym exclusively for employees, and a cafeteria serving breakfast and lunch free of charge have also been provided in order to assist physical and mental wellness of the employees. The “Rakuten Tower” is a symbol of the growth of our people and Rakuten, creating the next steps towards further growth.



**Rakuten Library:**  
Facility for learning opportunities offered to employees.



**Cafeteria:**  
Breakfast and lunch with a variety of menus are served free to all employees.



**All Staff Meeting Space:**  
All staff gather to share strategic and operational plans every Monday morning.



**Rakuten Tower Main Entrance**

## Technology



**Akio Sugihara**

Chief Produce Officer, Senior Executive Officer and Director

**“Rakuten’s Development secures safe and highly-guaranteed transactions and services to make the world an even better and more efficient place.”**

### About Rakuten’s Development Division

Rakuten essentially handles everything from application development to building of server networks and data center wiring and rack design in-house, without depending on outside vendors. This enables us to create products suited to rapidly changing user needs quickly and efficiently while maintaining high quality. It also enables us to make improvements ourselves, thereby accumulating know-how. The Development Division consists of about 1,000 engineers, and their capabilities are shared horizontally among the various businesses.

### What is the Strength of Rakuten’s Development?

The initial development environment for Rakuten Ichiba, which started with 13 merchants in May 1997, was no more than one small server on a large desk. However, the IPO in 2000 enabled us to invest in human resources and systems. As a result, toward 2001, new businesses such as Rakuten Books and Rakuten Travel were started and a succession of new initiatives was undertaken, such as Rakuten Ichiba’s mobile service and expansion of advertising sales. From 2004, we integrated member IDs and passwords for all Rakuten Group services. In 2002, the Rakuten Super Point Program was introduced, and development to enable each service to award points started to create the “Rakuten Eco-system”—a system whereby users can migrate freely among various services. Such standardization covers the member ID—enabling members to sign in only once—as well as the membership database, mail, and advertising distribution.

What has differentiated Rakuten technologically to date has been its identification of cost/gross transaction value as a Key Performance Indicator, and the balance of quality and cost with regard to the large-scale infrastructure that it has found in working to lower this figure. This is the result of responding to user needs and repeating trial-and-error so that services would operate stably, as well as creating a hybrid of a high-quality transaction system for commercial purposes and a low-cost open source. At Rakuten Ichiba, we have

reduced development costs versus gross merchandise sales while maintaining safety in commercial transactions, which ultimately and consequently has gained the trust of users.

### Key Initiatives in 2007

“Rakuten Web Service” – The Application Program Interface (API) for various services was opened to engineers around the world incrementally from January 2007, enabling Rakuten’s technology to be used more widely for its unique content. Combined with affiliates, this has led to an inflow of users to the “Rakuten Eco-system” and an increase in gross transaction value.

### Searching Technology

Rakuten maintains a database varying from store information to blogs, product reviews, etc. To develop an engine that effectively displays the products or information that users want is thus crucial. We are focusing on R&D technology that processes an enormous amount of data by language, analyzes it numerically, and displays the results at high speed and low cost.

- Provision of Rakuten Dynamic Ads which automatically display products related to the content of the web site
- Personalizing of Rakuten Ichiba’s top page and strengthening of product searches
- Introduction of in-house-developed recommendation technology that brings out the potential of the membership database

### Community Service

The map platform was renewed and standardized within the Rakuten Group. A function for bookmarking favorite spots such as stores and hotels was added, and services aimed at the formation of local communities were also released. The community service “uttera” was developed, which utilizes the GPS functions of mobile phones, shares user location information calculated from map coordinates and enables users to enjoy one-line comments.

### Research on Programming Language and RIA

The Rakuten Institute of Technology released services utilizing Ruby, a global programming language developed in Japan, and studied new possibilities for desktop applications as a new initiative in Rich Internet Applications (RIA). The Chief Designer of the Ruby programming language, Yukihiro “Matz” Matsumoto, became a Fellow at the Rakuten Institute of Technology on June 1, 2007. Mr. Matsumoto has in-depth knowledge and experience in technological developments related to programming language and the development/utilization of open-source software, and has started joint technological research at the Rakuten Institute of Technology, utilizing Rakuten’s experience and environment in large-scale service development.

### Multi-device Internet Access

Amidst ongoing diversification in equipment other than PCs and mobile phones that can access the Internet, the Rakuten Ichiba service was released in October 2007 on acTVila, the common Internet TV platform for major TV manufacturers. In the same month it became possible to search Rakuten Travel for accommodation and book over the phone via car navigation systems. This is one of a number of ways in which Rakuten has been responding aggressively to the move to multi-devices.

### Rakuten Technology Conference

We hosted a technology conference in November 2007 on the theme of “Constructing a Technology Brand,” believing that having people both inside and outside the company who understand Rakuten’s development capability as an organization, as well as its initiatives to develop cutting-edge technology, would contribute to Rakuten’s further growth.

### What is the Strategy of Rakuten’s Technology?

Rakuten has created applications with a high potential for expansion and availability, as well as superior quality and cost efficiency. Going forward, we will form a technological base that supports scale expansion for the Rakuten Group, development of various services, and internationalization, while building a database that realizes accurate and effective marketing and recommendations.

Over the past decade, Japan’s Internet technology has progressed in response to the rapidly changing needs of users. On top of that, Rakuten will also provide the Internet industry over the next decade with something that is completely new and not an extension of user needs seen today. By further extending R&D activities into cutting-edge technologies at the Rakuten Institute of Technology, we aim to provide new proposal-oriented Internet services that are one step ahead of users.



Rakuten Technology Conference Reception



Rakuten Technology Conference Panel Discussion  
Rakuten’s Chairman and CEO, Hiroshi Mikitani and Mr. Yukihiro “Matz” Matsumoto with other panelists discuss future technology



Server Room

## Social Contribution Program

**“Approaching social responsibility from volunteering of our people, and our responsibility as a Corporate Citizen.”**

### Origin of the Program

Rakuten believes that the grand design of this universe is inextricably linked to corporate activities and that corporate activities themselves will come to exert an influence on the overall happiness of the human race. That is why, as a “corporate citizen,” we are seriously considering how we can contribute to the society.

At Rakuten, we believe that the sustainability of business can be restated as a social activity, which has significance and is appreciated as a necessity.

We also believe that it is our duty to inspire our stakeholders by opening the innovative and potential power of the Internet to individuals and to small to mid-sized enterprises. Our aim is to “empower” people.

Technological progress will cause the ties between people, goods, and information throughout the world to continue getting closer in future; the very concepts of borders and nation states will become vague and the world will become increasingly borderless. As competition among companies intensifies, the Internet will cause vested interests to be steadily eroded, and once the World Wide Web has truly encompassed the entire globe, it will actually be impossible to monopolize information. That is why we value transparency and social contribution in order to be recognized as a valuable and sustainable entity. Last year, in line with the marking of the tenth anniversary of our founding, a project team of volunteer members with initiative ideas gathered to start up the “Social Contribution Project.” The project is run with the concept of ensuring Rakuten is an admirable company delivering valuable services to users over the next decade.

### The Project Team’s Activities

The project team was divided into four categories to focus on specific areas: the Rakuten IT School Team, the Eco-packaging and Recycling Team, the Natural Disaster Recovery Support Team, and the Eco-programs Promotion Team.

In February 2008, in order to communicate our philosophy and actual activities around social contribution, we launched a dedicated website.

### Rakuten’s Social Contribution Projects

#### Rakuten IT School team



We are promoting activities to broaden the power and potentiality of the Internet. We have conducted workshops for children at Rakuten headquarters. Courses were designed with lectures and application of practical skills, by an actual online shop owner who shares his expertise with the small next generation leaders. Junior high and high school visits are also conducted to lecture on the possibilities of net business and the safe usage of the internet.

#### Eco-programs Promotion team



We are promoting activities to prevent global warming that involve improvements we can make on a day-to-day basis; sorting waste for recycling at each floor, reducing consumption of office-supplies. Our employees and their families have participated in a volunteer clean-up program of the local office area.



Voluntary activities: Rakuten IT School for children



### Eco-packaging and Recycling team

We are promoting activities to reduce the waste of limited natural resources.

We are planning to replace our packaging materials with recyclable and reusable materials which we provide to Rakuten Books and Rakuten Ichiba registered merchants.



### Natural Disaster Recovery Support team

We are promoting the use of the Rakuten Blog to local governments, as an easy-to access, speedy way to provide crisis management information to the public and local residents after a natural disaster. We also are promoting the use of blogs which can benefit and improve living conditions for the public.



Voluntary activities: Rakuten Rental's new packaging materials



Voluntary activities: Rakuten head office area cleanup

### Rakuten World Heritage Theater

To commemorate our 10th anniversary, we started to sponsor the "Rakuten World Heritage Theater," organized by an implementation committee under the auspices of the Asahi Shimbun and SAP. Through the sponsorship, we have emphasized to express our "gratitude" towards the support we have received over the past decade, to promote the heritage and conservation of the precious Japanese culture, both tangible and intangible; and to promote social and local contribution programs which work to conserve and preserve the cultural and environmental treasures.

Around the key message "Empowering Japan," we are sponsoring various performances which take place at Japan's world heritage

sites with artists representing their areas of expertise. Through this, we are proud to offer the opportunity for many people to experience our rich heritage.



World Heritage Theater



World Heritage Theater

# Corporate Governance

## (1) Basic Approach Regarding Corporate Governance

The Rakuten Group gives the highest priority to strict corporate governance through Group-wide risk management, while maximizing corporate value.

Specific governance measures include improving the Board of Directors' capacity to supervise business execution through the appointment of outside directors; the establishment of an auditors' office as a means of bolstering audit functions; and enhancing internal checking functions by increasing personnel assigned to the Internal Audit Department, an independent body under the direct authority of the CEO.

Furthermore, the Rakuten Group has adopted a business unit system in an ongoing commitment to achieve faster decision-making in each business operation, and has developed a system for internal controls across the Rakuten Group through the establishment of Functional Teams with broad control powers that cut across all Rakuten Group businesses.

## (2) Implementation of Corporate Governance Measures (as of December 31, 2007)

### ① Status of management control organization regarding decision-making, execution and supervision, and other corporate governance systems

Rakuten, Inc. supervises management by using a Corporate Auditor System. In March 2003, Rakuten, Inc. adopted the Executive Officer System to separate the roles of management supervision and business execution. Functions that were until then performed by the Board of Directors were divided, making directors responsible for management decision-making and supervision and Executive Officers responsible for the execution of business activities. A business unit system has also been introduced to promote faster business execution by Executive Officers and to strengthen the supervisory functions of the Board of Directors and the Corporate Auditors.

### *Directors, Board of Directors and Executive Officers*

The Board of Directors has 13 members, including 2 outside directors, with the maximum number of directors allowed under the Articles of Incorporation set at 14 members. Resolutions to appoint directors must be approved by a majority of the shareholders with voting rights at meetings at which at least one-third of the shareholders eligible to exercise voting rights are in attendance.

The Board of Directors holds regular monthly meetings and extraordinary meetings as necessary. At these meetings, the directors reach decisions concerning important matters involving management and supervise the performance of directors and Executive Officers responsible for business activities. The Rakuten Group also has an Executive Strategic Meeting, made up of executives at the Senior Executive Officer level and above, which discusses important matters pertaining to the Rakuten Group strategies, such as mid-to-long term management plans and basic policies. This framework helps to ensure proper decision-making by the Board of Directors.

Once made, decisions by the Board of Directors are delegated to the Executive Officers' Meeting, comprised of Executive Officers. Board decisions then serve as a basis for the management and administrative duties carried out by each Executive Officer. Where the implementation and administration of each business is concerned, Business Unit management meetings held at each Business Unit, as well as management meetings of committees convened by the Functional Teams work to ensure that each business is conducted in a proper and efficient manner, and that administrative control that spans the entire Rakuten Group is enacted.

### *Corporate Auditors and the Board of Auditors*

There are four Corporate Auditors, three of whom are outside Auditors. Of the Corporate Auditors, two serve on a full-time basis. The Corporate Auditors are assisted in their duties by the Corporate Auditors' Office, a body established under the Board of Auditors. The Board of Auditors holds regular meetings and extraordinary meetings as necessary.

The Corporate Auditors attend meetings of the Board of Directors and other important meetings, receive reports on the performance of duties by directors, the Internal Audit Department and other sources, check operations at the head office and other important business sites, and check subsidiary operations. These activities are performed in line with audit policies, plans and other parameters established by the Board of Corporate Auditors. In addition, the Corporate Auditors receive auditing reports from the independent accountant and examine the financial statements and related documents. The Corporate Auditors also hold meetings with the Chairman and CEO to discuss various matters.

### **Financial Audits**

Rakuten, Inc. has an auditing contract with Ernst & Young Shin-Nihon to perform financial audits as prescribed by Japan's corporate law and the Financial Instruments and Exchange Law.

### **Internal Audits**

The Internal Audit Department, established as an independent body under the direct authority of the CEO, performs audits based on an annual internal audit plan for the purpose of checking the status of operational execution at each department. These audits cover internal controls, including items such as the legality, suitability and efficiency of activities, and progress with regard to audits and compliance programs. By bolstering ties with the Internal Audit departments at each subsidiary, it works to ensure that operations are properly conducted through the implementation of an ongoing process of Internal Audit across the Rakuten Group.

Results of Internal Audits are reported to the CEO and the Compliance Committee, as well as all Executive Officers involved and the Executive Officer Meeting. Results are also reported to the Board of Auditors as a means of linking these findings to the audits performed by Corporate Auditors.

### **② Implementation of measures to enhance corporate governance enacted during the past year**

During fiscal 2007, one new outside Corporate Auditor was elected to further enhance auditing functions. In addition, Rakuten, Inc. established a dedicated department to make preparations for putting in place an internal control reporting system based on the Financial Instruments and Exchange Law. At the same time, a cross-Group governance project led by the CEO is being advanced to this end.

### **③ Resolutions the Board of Directors is authorized to decide**

With respect to the distribution of retained earnings and other matters pursuant to Article 459-1 of Japan's Corporate Law, and excluding cases specifically referred to by other laws, Rakuten, Inc.'s Board of Directors, in accordance with the Articles of Incorporation, may enact an earnings distribution policy by its own resolution without a resolution from the Annual General Shareholders' Meeting, in order to maintain a flexible earnings distribution policy.

### **④ Special Resolution Requirement for General Meeting of Shareholders**

In accordance with Article 309 Paragraph 2 of the Corporate Law of Japan, the Articles of Incorporation prescribe that a special resolution requires approval at a general meeting of shareholders where shareholders with one third or more of voting rights are present and when shareholders with two thirds or more of voting rights approves the special resolution at the meeting.

This relaxes the number of required votes for special resolutions at any General Meeting of Shareholders, enabling shareholder meetings to progress smoothly.

# Consolidated Balance Sheets

Rakuten, Inc. and Consolidated Subsidiaries  
December 31, 2007 and 2006

ASSETS	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
<b>CURRENT ASSETS</b>	¥ 903,201	¥ 964,898	\$7,452,153
<b>FIXED ASSETS:</b>			
Net property, plant and equipment	24,027	48,940	198,244
Total intangible assets	93,410	83,089	770,713
Total investments assets and other assets	138,285	199,136	1,140,962
Total fixed assets	255,722	331,165	2,109,919
<b>TOTAL ASSETS</b>	<b>¥1,158,923</b>	<b>¥1,296,063</b>	<b>\$9,562,072</b>
LIABILITIES AND NET ASSETS	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
<b>CURRENT LIABILITIES</b>	¥ 750,442	¥ 806,820	\$6,191,763
<b>LONG TERM LIABILITIES</b>	210,738	282,904	1,738,759
<b>STATUTORY RESERVE FOR SECURITY BROKERAGE BUSINESS</b>	3,920	3,142	32,346
<b>TOTAL LIABILITIES</b>	<b>965,100</b>	<b>1,092,866</b>	<b>7,962,868</b>
<b>NET ASSETS:</b>			
Shareholders' equity	206,804	167,027	1,706,308
Valuation, translation adjustments and others	(20,969)	21,552	(173,008)
Stock acquisition rights	128	11	1,054
Minority Interests	7,860	14,607	64,850
Total net assets	193,823	203,197	1,599,204
<b>COMMITMENTS AND CONTINGENCIES</b>	-	-	-
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>¥1,158,923</b>	<b>¥1,296,063</b>	<b>\$9,562,072</b>

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 the rate of ¥121.20 to \$1, the approximate rate of exchange at December 31, 2007.

# Consolidated Statements of Income

Rakuten, Inc. and Consolidated Subsidiaries  
Years Ended December 31, 2007 and 2006

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
<b>NET SALES</b>	<b>¥213,938</b>	¥203,272	<b>\$1,765,168</b>
<b>COST OF SALES</b>	<b>39,480</b>	27,302	<b>325,746</b>
Gross profit	<b>174,458</b>	175,970	<b>1,439,422</b>
<b>SELLING, GENERAL AND ADMINISTRATIVE EXPENSES</b>	<b>174,339</b>	146,821	<b>1,438,440</b>
Operating income	<b>119</b>	29,149	<b>982</b>
<b>OTHER INCOME (EXPENSES):</b>			
Interest and dividend income	<b>1,981</b>	1,324	<b>16,346</b>
Gain on sales of securities	<b>1,764</b>	11,314	<b>14,558</b>
Foreign exchange gain	<b>259</b>	244	<b>2,140</b>
Equity in earnings of affiliates	<b>1,047</b>	854	<b>8,639</b>
Gain on sales of affiliates securities	<b>53,873</b>	–	<b>444,498</b>
Gain on sales of subsidiary securities	<b>1,038</b>	–	<b>8,560</b>
Gain on changes in equity interests of subsidiaries and affiliates	<b>598</b>	1,495	<b>4,935</b>
Interest expenses	<b>(1,505)</b>	(1,616)	<b>(12,419)</b>
Commission expenses	<b>(670)</b>	(1,216)	<b>(5,528)</b>
Loss on restructuring business	<b>(412)</b>	(20,766)	<b>(3,399)</b>
Provision for allowance for doubtful accounts	–	(6,465)	–
Provision for allowance for interest repayments	–	(3,005)	–
Special retirement benefits	<b>(240)</b>	(4,332)	<b>(1,980)</b>
Loss on sales or disposal of fixed assets	<b>(340)</b>	(663)	<b>(2,809)</b>
Provision for statutory reserve for security brokerage business	<b>(778)</b>	(830)	<b>(6,421)</b>
Other—net	<b>(6,061)</b>	(2,276)	<b>(50,011)</b>
Other income (expenses)—net	<b>50,554</b>	(25,938)	<b>417,109</b>
<b>INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS</b>	<b>50,673</b>	3,211	<b>418,091</b>
<b>INCOME TAXES</b>			
Current	<b>20,942</b>	10,610	<b>172,788</b>
Deferred	<b>(5,971)</b>	(6,154)	<b>(49,264)</b>
Total income taxes	<b>14,971</b>	4,456	<b>123,524</b>
<b>MINORITY INTERESTS IN NET LOSS</b>	<b>(1,197)</b>	(3,948)	<b>(9,879)</b>
<b>NET INCOME</b>	<b>¥ 36,899</b>	¥ 2,703	<b>\$ 304,446</b>

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 the rate of ¥121.20 to \$1, the approximate rate of exchange at December 31, 2007.

## Consolidated Subsidiaries and Affiliated Companies

Name	Location	Capital or investment (¥ million)	Type of business	Voting rights or ownership (%)	Note
<b>Consolidated Subsidiaries</b>					
Rakuten Auction, Inc.	Shinagawa-ku, Tokyo	1,650	E-Commerce Business	60.0	
Rakuten Enterprise Inc.	Shinagawa-ku, Tokyo	10	E-Commerce Business	100.0	
Signature Japan Co., Ltd.	Shinagawa-ku, Tokyo	80	E-Commerce Business	100.0	
Fine Wine Co., Ltd.	Shinagawa-ku, Tokyo	205	E-Commerce Business	100.0	
LinkShare Corporation	U.S.A.	1 U.S. dollars	E-Commerce Business	100.0 (100.0)	5
LinkShare International, LLC	U.S.A.	-	E-Commerce Business	100.0 (100.0)	5
LinkShare Ltd.	U.K.	1 U.K. pounds	E-Commerce Business	100.0 (100.0)	5
Rakuten USA, Inc.	U.S.A.	182 U.S. dollars	E-Commerce Business	100.0	
Trafficstrategies.com, LLC	U.S.A.	-	E-Commerce Business	100.0 (100.0)	2, 5
CauseLoyalty, LLC	U.S.A.	-	E-Commerce Business	100.0 (100.0)	2, 5
Keiba Mall, Inc.	Shinagawa-ku, Tokyo	499	E-Commerce Business	100.0	
Rakuten Credit, Inc.	Shinagawa-ku, Tokyo	4,450	Credit and Payment Business	96.5	
Rakuten KC Co., Ltd.	Fukuoka-shi, Fukuoka	3,055	Credit and Payment Business	97.0	18
Miyazaki Marina Co., Ltd.	Miyazaki-shi, Miyazaki	45	Credit and Payment Business	100.0 (100.0)	7
Kajiyama Warehouse Co., Ltd.	Kitakyusyu-shi, Fukuoka	240	Credit and Payment Business	100.0 (100.0)	7
K2 Credit Services., Ltd.	Shinagawa-ku, Tokyo	20	Credit and Payment Business	100.0 (100.0)	2, 7
Rakuten Financial Solution, Inc	Shinagawa-ku, Tokyo	1,500	Credit and Payment Business	95.0	
Rakuten TV Inc.	Minato-ku, Tokyo	80	Portal and Media Business	100.0	
Target, Inc.	Shinagawa-ku, Tokyo	480	Portal and Media Business	100.0	16
College Students' Portal Community, Inc.	Shinagawa-ku, Tokyo	10	Portal and Media Business	100.0	
Rakuten Research, Inc.	Shinagawa-ku, Tokyo	246	Portal and Media Business	100.0	
Cyber Brains (Shanghai) Consulting Co., Ltd.	People's Republic of China	2,763 thousand RMB	Portal and Media Business	100.0 (100.0)	6
Rakuten Travel, Inc.	Shinagawa-ku, Tokyo	155	Travel Business	100.0	
RAKUTEN TRAVEL KOREA CO., LTD.	Republic of Korea	350 million won	Travel Business	100.0 (100.0)	8
TABIMADO CO., LTD SHANGHAI	People's Republic of China	1,000 thousand RMB	Travel Business	- [100.0]	4
Rakuten Bus Services Inc.	Shinagawa-ku, Tokyo	40	Travel Business	96.0 (96.0)	8
SIDE B NETWORK, INC.	Shinagawa-ku, Tokyo	12	Travel Business	100.0	
Rakuten Travel Guam, Inc.	U.S.A.	200 thousand U.S. dollars	Travel Business	100.0 (100.0)	2, 8
Rakuten Securities, Inc.	Minato-ku, Tokyo	7,400	Securities Business	100.0 (100.0)	9
Rakuten Securities Holdings, Inc.	Minato-ku, Tokyo	1,000	Securities Business	100.0	18
Rakuten Asset Management Co., Ltd.	Minato-ku, Tokyo	10	Securities Business	100.0 (100.0)	9
Rakuten Strategic Partners, Inc.	Minato-ku, Tokyo	300	Securities Business	100.0 (100.0)	9
Rakuten Realty Management Co., Ltd.	Shinagawa-ku, Tokyo	200	Securities Business	100.0	
Rakuten Investment Management, Inc.	Minato-ku, Tokyo	75	Securities Business	100.0 (100.0)	9
Rakuten Financial Frontier Investment Limited Partnership	-	280	Securities Business	-	

(As of December 31, 2007)

Name	Location	Capital or investment (¥ million)	Type of business	Voting rights or ownership (%)	Note
MIS Investors Tokumei Kumiai	-	0	Securities Business	-	
Rakuten Baseball, Inc.	Sendai-shi, Miyagi	400	Professional Sports Business	100.0	
Rakuten Sports Properties, Inc.	Sendai-shi, Miyagi	150	Professional Sports Business	51.0 (51.0)	12
Rakuten Messenger, Inc.	Shinagawa-ku, Tokyo	200	Telecommunication Business	100.0	2
FUSION COMMUNICATIONS CORPORATION	Chiyoda-ku, Tokyo	10,955	Telecommunication Business	73.5	2, 16
Fusion Network Services Corporation	Chiyoda-ku, Tokyo	40	Telecommunication Business	100.0 (100.0)	2, 13
SAGA Fusion Service Corporation	Saga-shi, Saga	50	Telecommunication Business	100.0 (100.0)	2, 13
TTNet Service Company, Incorporated	Chiyoda-ku, Tokyo	10	Telecommunication Business	100.0 (100.0)	2, 13
Rakuten Media Investment, Inc.	Minato-ku, Tokyo	10		100.0	17
Rakuten Business Service, Inc.	Shinagawa-ku, Tokyo	25		100.0	2
Rakuten Sociobusiness, Inc.	Sendai-shi, Miyagi	10		100.0	2

#### Equity-method Affiliates

LinkShare Japan K.K.	Chiyoda-ku, Tokyo	10	E-Commerce Business	50.0 (50.0)	14
OKWave	Shibuya-ku, Tokyo	831	E-Commerce Business	20.8	2, 15
CASAREAL, inc.	Chuo-ku, Tokyo	146	E-Commerce Business	37.7	2
Net's Partners Co., Ltd.	Shibuya-ku, Tokyo	425	E-Commerce Business	35.8 (35.8)	2, 11
SHOWTIME, Inc.	Minato-ku, Tokyo	480	Portal and Media Business	50.0	
Rakuten & Fast Mobile Search Inc.	Shinagawa-ku, Tokyo	400	Portal and Media Business	50.0	2
WORLD TRAVEL SYSTEMS INC.	Shinjuku-ku, Tokyo	110	Travel Business	20.0	
Rakuten ANA Travel Online Co., Ltd.	Shinagawa-ku, Tokyo	90	Travel Business	50.0	
.Commodity, Inc.	Shibuya-ku, Tokyo	1,400	Securities Business	45.0 (45.0)	10
Rakuten Mortgage Co., Ltd.	Shinagawa-ku, Tokyo	500	Securities Business	50.0	
TRAFFIC GATE, LTD.	Minato-ku, Tokyo	217		45.9	
TECHMATRIX CORPORATION	Minato-ku, Tokyo	1,298		31.0	15
NEXT Co., Ltd.	Chuo-ku, Tokyo	1,981		16.2	15

#### Notes:

- Business segments are used to indicate the type of business.
- The company became a group member during the fiscal year ended December 31, 2007.
- Indirectly held voting rights are shown in parentheses.
- Voting rights held by parties close to Rakuten or that support Rakuten's policies, but not included in the voting rights percentage, are shown in square brackets.
- LinkShare Corporation and CauseLoyalty, LLC are subsidiaries of Rakuten USA, Inc.  
In addition, LinkShare International, LLC and TrafficStrategies.com, LLC are subsidiaries of LinkShare Corporation, and LinkShare Ltd. is a subsidiary of LinkShare International, LLC.
- Cyber Brains (Shanghai) Consulting Co., Ltd. is a subsidiary of Rakuten Research, Inc.
- Miyazaki Marina Co., Ltd., Kajiyama Warehouse Co., Ltd., and K2 Credit Service Ltd. are subsidiaries of Rakuten KC Co., Ltd.
- RAKUTEN TRAVEL KOREA CO., LTD., Rakuten Bus Services Inc. and Rakuten Travel Guam, Inc. are subsidiaries of Rakuten Travel, Inc.
- Rakuten Securities, Inc., Rakuten Asset Management Co., Ltd., Rakuten Strategic Partners Co., Ltd. and Rakuten Investment Trust Co., Ltd. are subsidiaries of Rakuten Securities Holdings, Inc.
- .Commodity, Inc. is an equity-method affiliate of Rakuten Securities Holdings, Inc.
- Net's Partners is an equity-method affiliate of Rakuten Strategic Partners Co., Ltd.
- Rakuten Sports Properties, Inc. is a subsidiary of Rakuten Baseball, Inc.
- Fusion Network Services Corp., Saga Fusion Service Corp. and TTNet Service Company, Incorporated are subsidiaries of FUSION COMMUNICATIONS CORPORATION.
- LinkShare Japan K.K. is an equity-method affiliate of LinkShare Corporation.
- Denotes companies required to submit financial reports and securities registration statements according to Japanese securities and exchange legislation.
- Denotes a Specified Subsidiary ("tokutei kogaisha")
- Rakuten Media Investment, Inc.'s liabilities exceed its assets by ¥22,039 million.
- Net sales of Rakuten Securities, Inc. and Rakuten KC Co., Ltd. (excluding internal sales between consolidated subsidiaries) account for over 10% of consolidated net sales.

To Our Shareholders

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Company Information

## Corporate Data

### Board of Directors and Corporate Auditors (As of April 1, 2008)

Chairman and CEO	<b>Hiroshi Mikitani</b>
Executive Deputy President and Representative Director	<b>Atsushi Kunishige</b>
Senior Executive Officers and Directors	<b>Toru Shimada Hisashi Suzuki Ken Takayama Kazunori Takeda Masatada Kobayashi Akio Sugihara Takao Toshishige Hiroaki Yasutake</b>
Executive Officer and Director	<b>Yoshiaki Ohnishi</b>
Directors	<b>Kouichi Kusano Hiroshi Fukino Tatsumi Yoda</b>
Corporate Auditors	<b>Kouji Hata Katsuichiro Masumi Katsuyuki Yamaguchi Takeo Hirata</b>

Mr. Kusano, Mr. Yoda, and Mr. Fukino are outside corporate directors stipulated in Paragraph 15, Article 2 of the Corporate Law of Japan.  
Mr. Hata, Mr. Yamaguchi and Mr. Hirata are outside corporate auditors stipulated in Paragraph 16, Article 2 of the Corporate Law of Japan.

## Company Overview (As of December 31, 2007)

Company Name	Rakuten, Inc.
Founded	February 7, 1997
Service Launched	May 1, 1997
IPO	April 19, 2000
Capital	¥107,453 million
Main Office	Shinagawa Seaside Rakuten Tower 4-12-3 Higashishinagawa, Shinagawa-ku, Tokyo 140-0002, Japan (As of March 27, 2008)
Employees	3,751 (Consolidated) 1,772 (Non-consolidated)

## Stock Information (As of December 31, 2007)

Stock Code	4755 (JASDAQ)
Fiscal Year	January 1 to December 31
Month of Annual General Shareholders' Meeting	March
Shareholder Record Date	December 31
Transfer Agent	The Sumitomo Trust and Banking Co., Ltd.
Handling Office	The Sumitomo Trust and Banking Co., Ltd. Stock Transfer Agency Department 1-10 Nikkocho, Fuchu-shi, Tokyo 183-8701, Japan

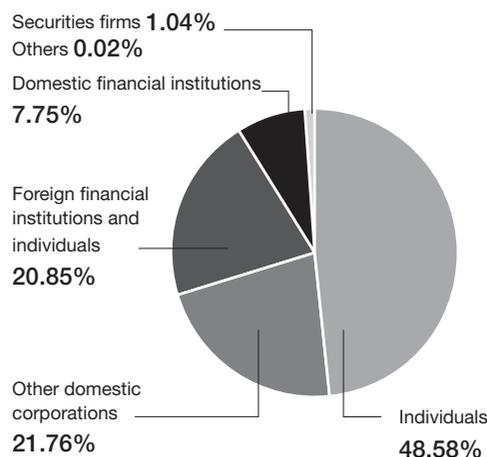
### Number of Shares and Shareholders

Total number of shares authorized	39,418,000 (common stock)
Total number of shares issued	13,076,334 (common stock)
Number of shareholders	137,018

### Major Shareholders

Shareholders	Number of shares	Percentage of total shares
Crimson Group, Inc	2,264,190	17.32
Hiroshi Mikitani	2,182,510	16.69
Haruko Mikitani	1,458,750	11.16
Masuda and Partners Inc.	504,910	3.86
The Chase Manhattan Bank, GTS Clients Account Escrow	450,502	3.45
Japan Trustee Services Bank, Ltd. (Trust Account)	362,139	2.77
Shinnosuke Honjo	228,890	1.75
Bank of New York GCM Client Accounts EISG	212,789	1.63
The Master Trust Bank of Japan, Ltd. (Trust Account)	204,730	1.57
Merrill Lynch International Equity Derivatives	202,552	1.55

### Classification by Type of Shareholder



**Inquiry** Investor Relations, Rakuten, Inc.  
Tel. +81-3-6387-0555  
URL <http://www.rakuten.co.jp/info/ir/english>



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**Rakuten, Inc. TEL: +81-3-6387-1111 URL: [www.rakuten.co.jp/info/ir/english](http://www.rakuten.co.jp/info/ir/english)**

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