



Rakuten, Inc.
Annual Report

Fiscal Year Ended December 31, 2010

The World Beckons.

We Are More Than Ready.

Contents

Our Presence

- 02 This is Rakuten
- 06 Rakuten's Global Ambition

Our Strategies

- 08 To Our Shareholders

Our Operations

- 12 At a Glance
- 14 Review of Main Operations

Our Backbone

- 18 Our Philosophy and Social Responsibility
- 20 Corporate History
- 21 Corporate Governance

Our Performance

- 25 Financial Section
- 34 Corporate Information



Origins of the Name Rakuten

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

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

Cautionary Statement

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

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

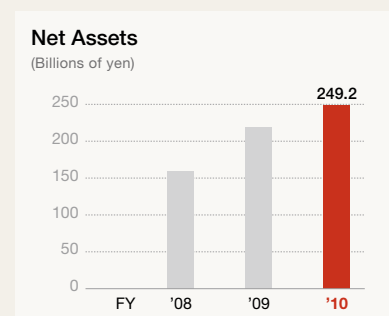
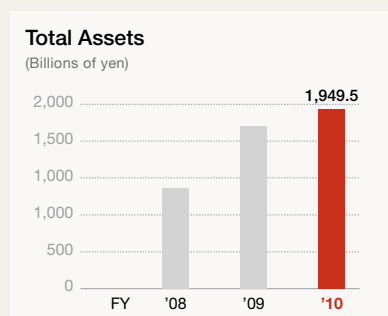
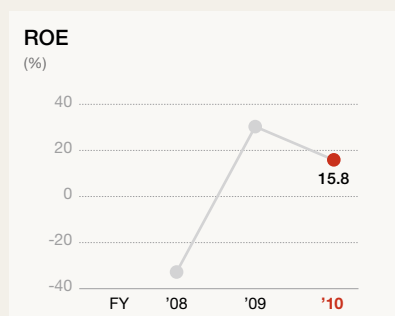
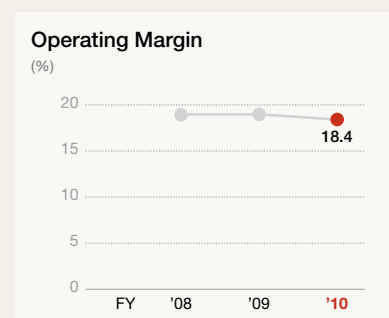
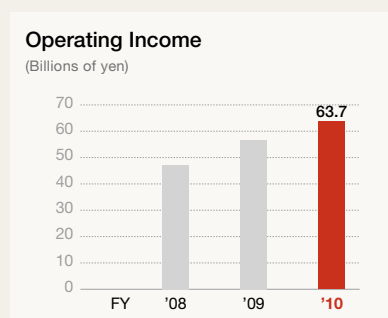
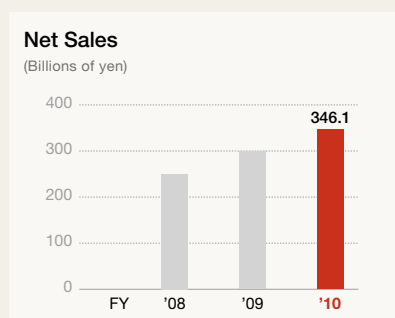
"Rakuten", 楽天 and R Rakuten are registered trademarks of Rakuten, Inc. in Japan.

Financial Highlights

Rakuten, Inc. and Consolidated Subsidiaries
Years Ended December 31

Fiscal Year	Millions of yen			Thousands of ^{*1} U.S. dollars
	2008	2009	2010	2010
Profit and Loss				
Net sales	¥ 249,883	¥ 298,252	¥ 346,144	\$4,247,692
Operating income	47,151	56,649	63,766	782,504
Net income (loss)	(54,978) ^{*2}	53,564	34,956	428,962
Cash Flows				
Net cash provided by (used in) operating activities	¥ (13,467)	¥ (55,219)	¥ 30,305	\$ 371,885
Net cash (used in) provided by investment activities	(40,977)	217,160	(60,538)	(742,895)
Net cash provided by (used in) financing activities	62,397	(174,157)	27,609	338,803
Assets and Liabilities				
Total assets	¥1,086,938	¥1,759,237	¥1,949,517	\$23,923,385
Total liabilities	928,211	1,540,617	1,700,283	20,864,925
Total net assets	158,727	218,620	249,234	3,058,460
Per Share (in yen and U.S. dollars)				
Total net assets	¥11,439.86	¥15,527.21	¥18,160.62	\$222.86
Net income (loss)				
Basic	(4,203.55)	4,092.17	2,666.28	32.72
Diluted	—	4,077.62	2,657.43	32.61
Dividend	100.00	100.00	200.00	2.45

Notes: *1 U.S. dollar figures have been translated from yen, for convenience only, at the rate of ¥81.49 to US\$1, the approximate rate of exchange at December 31, 2010.
*2 The fiscal 2008 net loss included loss on valuation of investment securities of ¥67,177 million.



Our Presence

Our Strategies

Our Operations

Our Backbone

Our Performance

This is Rakuten

01 Solid Success

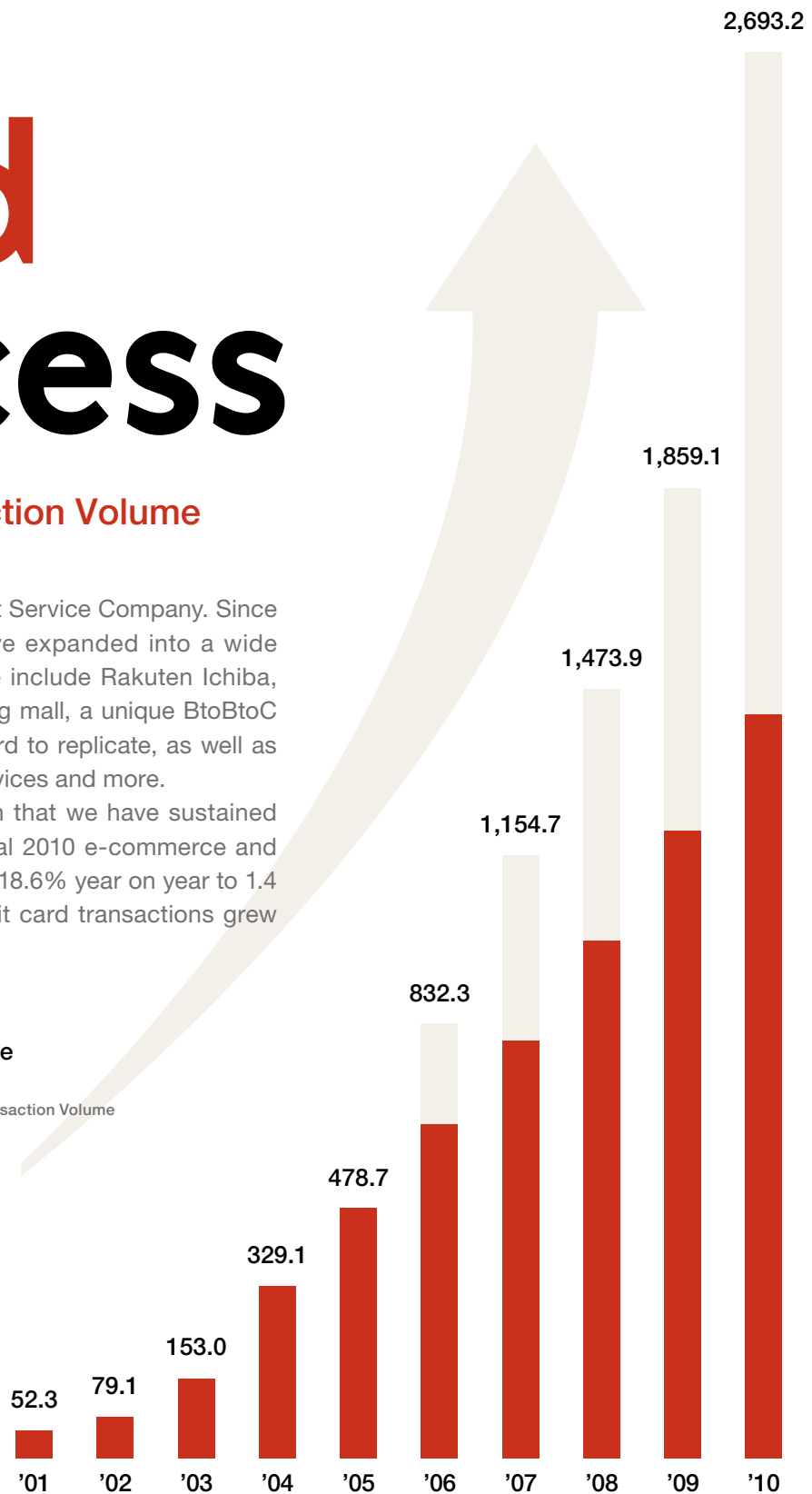
Group Gross Transaction Volume Reaches ¥2.6 Trillion

Rakuten is a world-class Internet Service Company. Since our foundation in 1997, we have expanded into a wide range of business areas. These include Rakuten Ichiba, Japan's largest Internet shopping mall, a unique BtoBtoC e-commerce platform that is hard to replicate, as well as online travel, finance-related services and more.

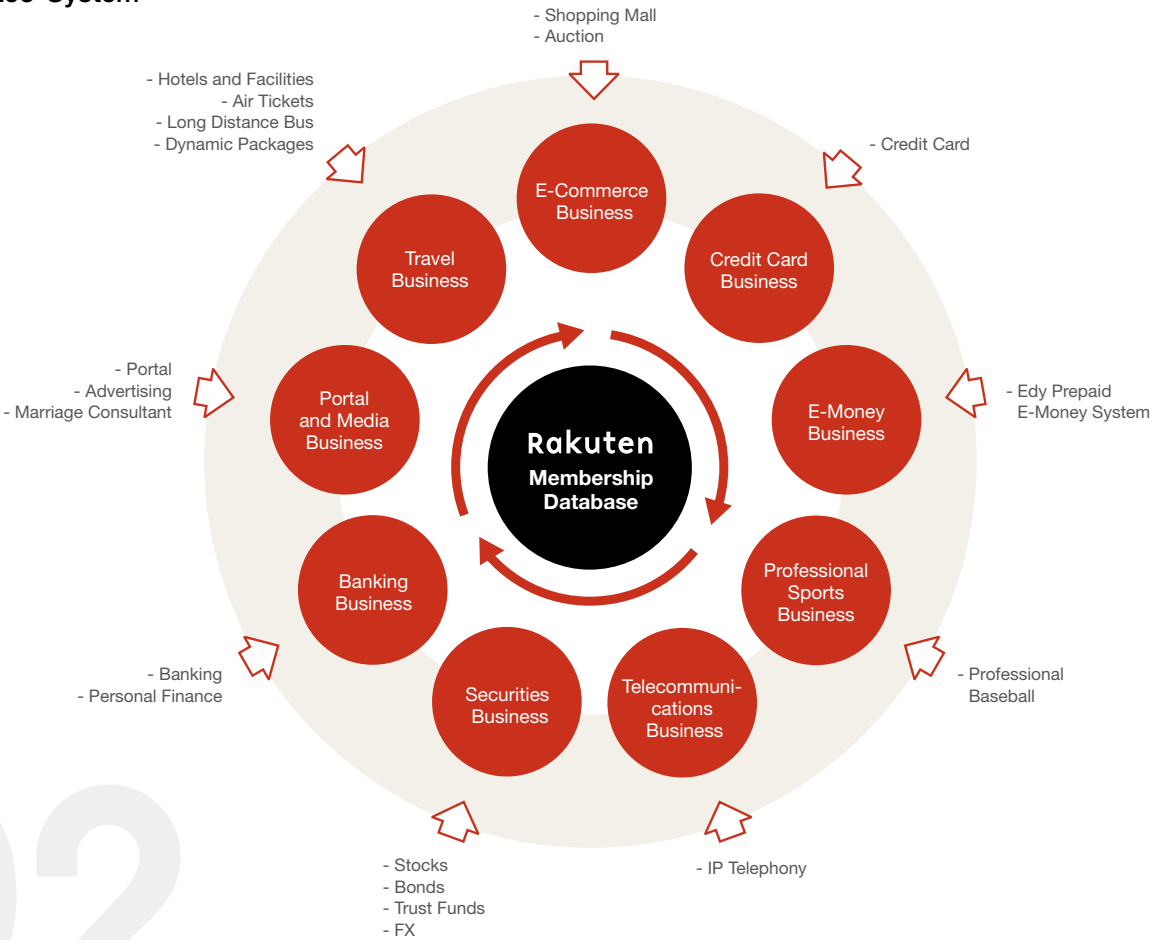
Continuing the rapid growth that we have sustained from the very beginning, in fiscal 2010 e-commerce and travel transactions increased by 18.6% year on year to 1.4 trillion, while e-money and credit card transactions grew by 92.8% to ¥1.2 trillion.

Group Gross Transaction Volume (Billions of yen)

■ Edy E-Money and Credit Card Shopping Transaction Volume
■ Domestic E-Commerce and Travel



Rakuten Eco-System



02 Total Integration

A Business Model Offering Unmatched Online Service Convenience

Rakuten is powered by a strong and defensible business model, a unique value creation system offering one-stop shopping in an organically linked range of services, most of them under the Rakuten brand. We call this circulatory system the “Rakuten Eco-System.”

By using our growing member database to enhance marketing, and by maximizing inter-service synergies to stimulate service cross-use, we can continuously accelerate the growth of the Rakuten Eco-System. We are constantly exploring new approaches to value creation, including convergence with off-line business activities.

Our Presence
 Our Strategies
 Our Operations
 Our Backbone
 Our Performance

This is Rakuten

03 Powerful Brand

We Are Now Japan's No. 1 in Internet Services

Rakuten is the market leader of many Internet services in Japan. In e-commerce, Rakuten Ichiba is the biggest Internet shopping mall.

While continuously bolstering services in areas where we hold the top market share, we are putting more management resources into other key growth areas where we are ranked two or below, with the aim of achieving the top position in these services too. In this way, Rakuten moves toward its ultimate goal of becoming the leader of not only the Japanese Internet service industry, but also the world's top Internet Service Company.

Rankings in Domestic IT-Related Markets

E-Commerce (BtoC GMS)

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

Online Travel (GTV)

- 1 Rakuten Travel
- 2 Jalan.net (Recruit)
- 3 Rurubu Travel (JTB)

Online Brokerage (Trading)

- 1 SBI Securities
- 2 Rakuten Securities
- 3 Matsui Securities

Online Books & Media (GMS)

- 1 Amazon
- 2 Rakuten Books / Ichiba
- 3 —

Online Bank (Accounts)

- 1 Rakuten Bank
- 2 Japan Net Bank
- 3 Sony Bank

E-Money Cards (Cards issued)

- 1 Edy (Rakuten)
- 2 Suica (JR East)
- 3 Pasma (Private railways and buses)

Affiliate Marketing

- 1 LinkShare Japan (Rakuten)
- 2 Value Commerce (Yahoo)
- 3 A8.net (F@n Communications)

Internet Search

- 1 Yahoo!
- 2 Google
- 3 Rakuten Toolbar

Online Golf Reservations (GTV)

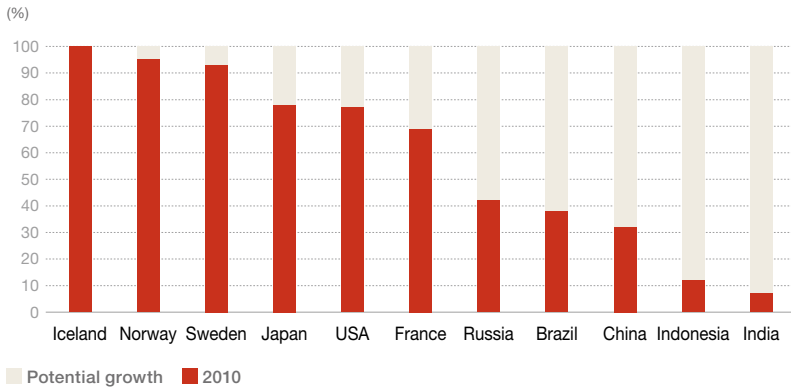
- 1 Rakuten (GORA)
- 2 GDO
- 3 —

Source: Company disclosures, Fuji Keizai (EC), Nikkei (Travel, E-Money), Net Ratings (Search)

GMS : Gross merchandise sales

GTV : Gross booking transaction volume

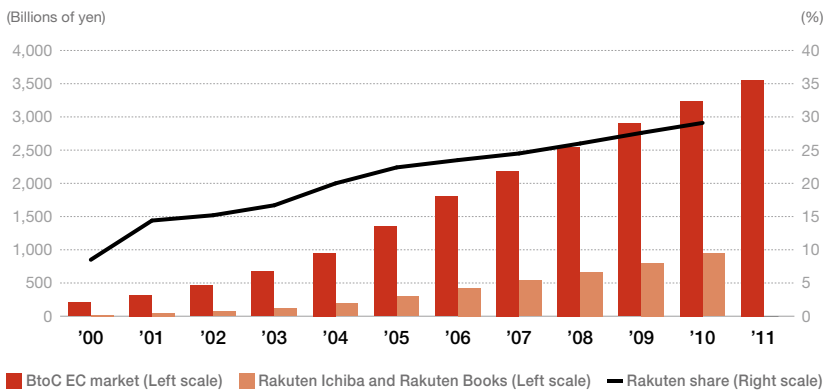
Internet Access Ratios of Key Countries



*Source: 2010 Internet Penetration, Internet World Stats

Approximately 78% of the Japanese population now has Internet access. This number could climb to over 90%, the level currently seen in some of the Scandinavian countries.

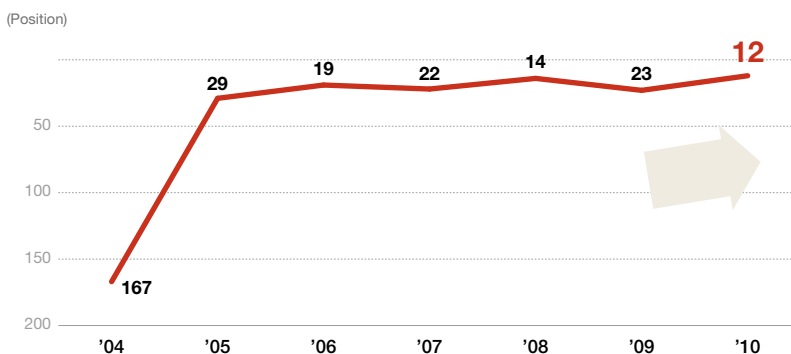
Rakuten's E-Commerce Market Share in Japan



*Source: Fuji Keizai

Rakuten Ichiba continues to hold the biggest share of Japan's e-commerce (EC) market. To Japanese consumers, the Internet has become a trustworthy and acceptable media for shopping.

Rakuten Ichiba Consumer Brand Survey Ranking



*Source: Brand Japan, Consumer Brand, Nikkei BP Marketing, Inc

Rakuten Ichiba has risen rapidly in the Brand Japan rankings of Nikkei BP, from 167th position in 2004 to 12th position in 2010. This powerful brand will be central to our overseas expansion.

Rakuten's Global Ambition

Now We are Taking That Success to the World

In fiscal 2010, we worked to strengthen our advantage in domestic markets while continuing our evolution into a strong global company. We implemented a variety of initiatives aimed at driving the expansion of our business globally, resulting in rapid growth in the Group's overseas operations.

Going forward, a key priority will be to ensure that the values defined in our Rakuten Shugi (Rakuten basic principles) are assimilated by overseas Group companies as they develop business models based on their respective strengths and areas of activity, including BtoBtoC, CtoC and direct marketing, and matched to the local conditions of the country and region. We will also continue to develop infrastructure to support the overseas expansion of the highly successful Rakuten Eco-System.

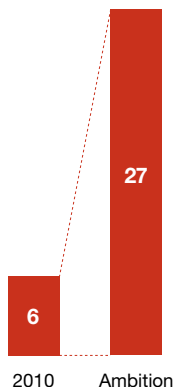
Europe

PRICEMINISTER S.A.S., operator of one of France's top e-commerce sites, is now a Rakuten subsidiary. Alongside its presence in France, Europe's fastest growing e-commerce market, we are dynamically expanding into other European markets. PRICEMINISTER's advantages in these markets include its emphasis on safety and security in the development of CtoC business; its comprehensive approach to business management, which includes guarantees against counterfeit goods, and the establishment of comparison sites for travel products.

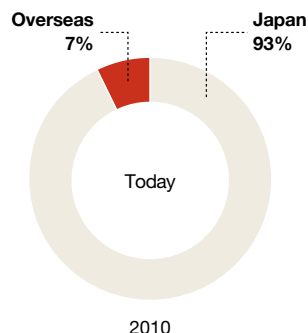


Targets of the Rakuten Group Federation Strategy

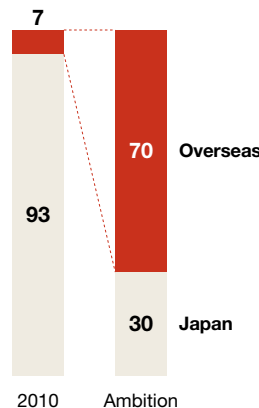
No. of Operating Countries



GMS (BtoC E-Commerce)



% of GTV from Overseas



- Shopping mall business
- Travel business
- Performance marketing business
- Rakuten Institute of Technology
- Development Center

* As of December 31, 2010

GMS : Gross merchandise sales

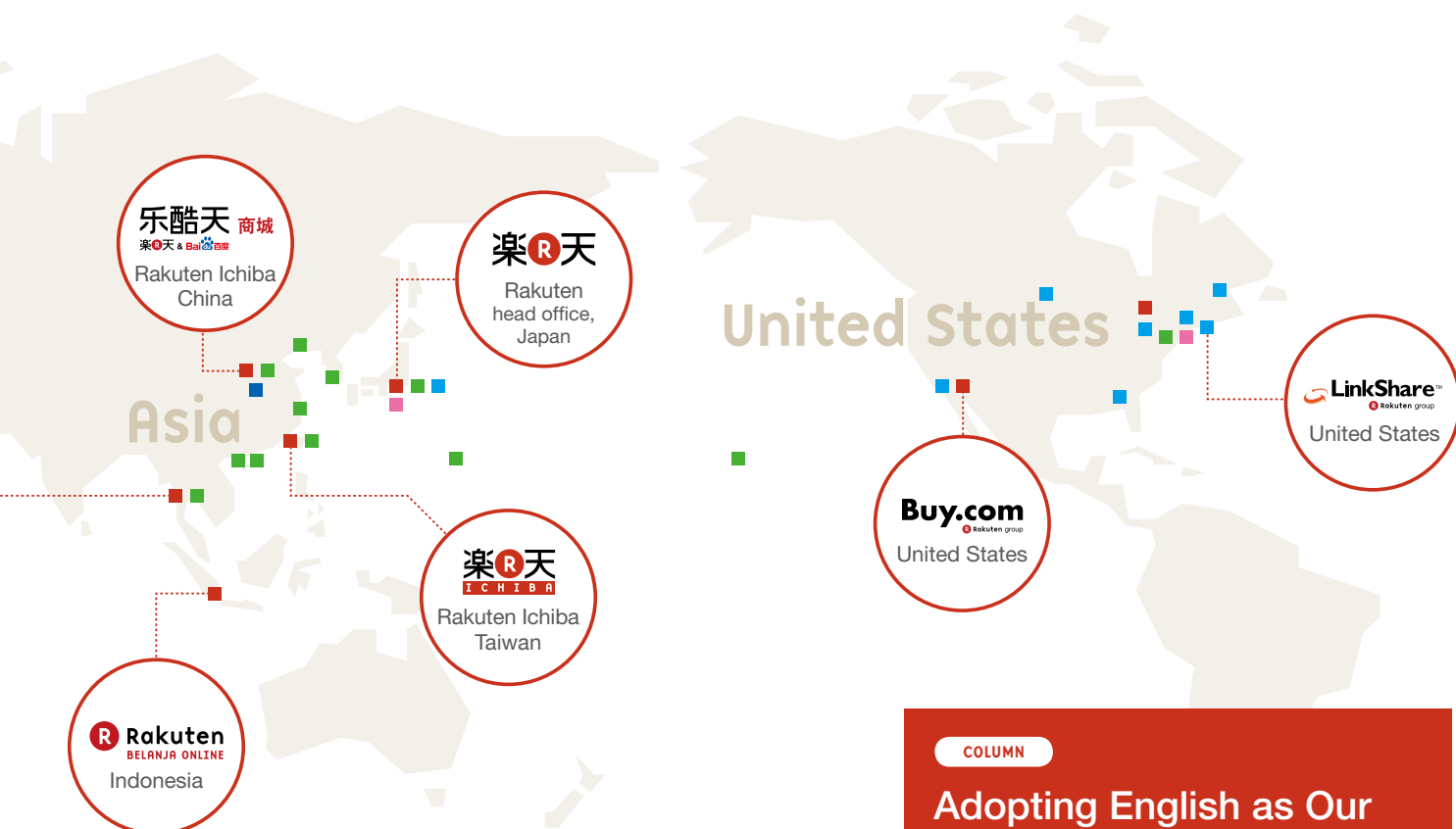
GTV : Gross booking transaction volume

China

In China, we have launched an Internet shopping mall in partnership with Baidu, Inc., operator of the world's No. 1 Chinese-language search engine. By combining Baidu's capacity to attract customers with Rakuten's e-commerce platform technology and management expertise, we aim to build this mall into the biggest BtoBtoC e-commerce site in China.

United States

Buy.com, one of the leading U.S. e-commerce companies, has joined the Rakuten Group. In addition to its powerful first-party sales model, which is based on direct selling without inventories, Buy.com will be able to use Rakuten's e-commerce know-how to strengthen its marketplace activities and develop its operations.



Asia

In fiscal 2008, we launched Rakuten Ichiba Taiwan, our first overseas Internet shopping mall. Rakuten Ichiba Taiwan has continued to grow steadily, thanks to the power of the Rakuten brand. In fiscal 2009, we formed a capital and business partnership with TARAD.com, operator of Thailand's No. 1 e-commerce site. TARAD.com already has over 2 million members and aims to expand further by introducing various functions and services from Rakuten Ichiba. We also launched a new Internet shopping mall, Rakuten Belanja Online, in Indonesia on June 1, 2011.

* *Belanja* is Indonesian for "shopping."

COLUMN

Adopting English as Our Official Language

To maintain the speed of our global expansion, we are developing the business know-how of our subsidiaries in each country and sharing this across our organization. For this reason, we are adopting English as the official Group language. This will bring various benefits, including improved understanding of our shared values, as expressed in the Rakuten Shugi (Rakuten basic principles), and better mutual understanding of the different values and cultures of employees in other countries. English will also increase the speed of our business expansion by facilitating rapid and direct communications about operational know-how and technology development.

To Our Shareholders

A photograph of Hiroshi Mikitani, Chairman and CEO of Rakuten, speaking at a wooden podium. He is wearing a dark blue pinstriped suit jacket, a white shirt, and a red tie. He is gesturing with his right hand while speaking. The background is a plain, light-colored wall.

Hiroshi Mikitani

Chairman and CEO

Rakuten has Stepped onto the Global Stage

I would like to begin by expressing our sincere gratitude for the continuing support of our shareholders and investors. I would also like to express our heartfelt sympathy to everyone affected by the Great East Japan Earthquake, and to offer our prayers for a rapid recovery.

Our focus in fiscal 2010 was to strengthen our advantage in the Japanese market while driving Rakuten's evolution as a strong global company through a variety of initiatives targeting both domestic and global markets. In fiscal 2011, the 15th year since Rakuten's establishment, we aim to realize our vision of Rakuten as a strong global company by further accelerating the overseas expansion of our unique business model, the Rakuten Eco-System.

Overview of Fiscal 2010

In fiscal 2010, we further expanded the Rakuten Eco-System by accelerating the growth of synergies within the Group through enhancements to our one-stop shopping services, and by implementing a variety of initiatives designed to improve customer convenience and satisfaction. We also took several important steps toward the realization of our medium- to long-term vision of becoming a strong global company.

We continued to develop an environment that encourages Rakuten members to migrate within the Rakuten Eco-System and continuously use multiple services, including e-commerce and finance-related services, so as to maximize both group gross transaction volume and the lifetime value of individual members. As a result of these initiatives, we were able to set new records for both net sales and operating income in fiscal 2010. Net sales increased by 16.1% over the previous year to ¥346,144 million, while operating income was 12.6% higher at ¥63,766 million.

Strengthening the Rakuten Eco-System in Japan

Our domestic E-Commerce Business is steady, high growth and consistently outperforming the overall e-commerce market. We strengthened our advantages both in the E-Commerce and Travel Businesses by adding our new E-Money Business. The resulting enhancement of these services contributed to increased synergies within the Group, further strengthened the Rakuten Eco-System and contributed to growth in our group gross transaction volume.

Introducing New Services

We have continually kept pace with new trends in the Internet world by updating the Rakuten Group's services to support access via smartphones and tablet PCs. At the end of February 2011, we offered 17 smartphone applications supported by 34 sites. We also used flash marketing via social media, e-mail and other channels with considerable success.

Highlights in Fiscal 2010

Target	Performance
Build structure to become a "Strong Global Company"	<ul style="list-style-type: none"> ■ Buy.com and PRICEMINISTER joined ■ Lekutian (China) launched ■ English-nization advanced ■ Opened overseas R&D sites
Strengthen the Rakuten Eco-System in Japan	<ul style="list-style-type: none"> ■ E-Commerce and Travel further strengthened their positions ■ Credit Card maintained growth ■ Edy (e-Money) joined
Provide new services	<ul style="list-style-type: none"> ■ Smartphone, social projects and flash marketing initiatives
Project V3	<ul style="list-style-type: none"> ■ Controlled costs effectively

Consolidating Our Foundation as a Strong Global Company

We rapidly expanded our overseas business activities through acquisitions and joint ventures. Gross merchandise sales (GMS) at overseas subsidiaries jumped to ¥66.8 billion in fiscal 2010*, versus ¥1.4 billion in fiscal 2009. We also accelerated the adoption of English as our official corporate language to facilitate the cross-organizational sharing of know-how from the various countries in which we operate. These efforts allowed us to communicate directly and promptly across multiple countries.

* Total GMS at overseas subsidiaries since the start of 2010.

Increased Emphasis on Japanese Internet Market

Consumer behavior in Japan has started to change in step with advances in device technology and the communications environment. One particularly significant development is the growth of mobile Internet access in Japan over the past 10 years. GMS at Rakuten Ichiba made through mobile phones in fiscal 2010 reached about 400 times the level achieved in fiscal 2001.

The continuing expansion of the mobile Internet market is being driven by the emergence of smartphones and other new devices, and the emergence of other trends, such as social shopping, are also expected to drive further growth. We are continuing to develop our activities in the Japanese market, which still offers a rich array of fields for the Rakuten Group to explore.

Establishment of a New Financial Service Brand

We are strengthening the potential of the Rakuten brand in the area of finance-related businesses, including credit cards, online banking, online brokerage and e-money. Our services have already gained a high profile, and our goal now is to achieve further growth in our user base. By building our finance-related businesses, we are further consolidating the Rakuten Eco-System by providing Rakuten members with one-stop access to multiple services.

Building a Future as a Technology Company through Accelerated Technology Development

A major R&D focus will be Internet-related technologies, such as cloud computing, as we aim to strengthen management information systems and globalize our technology team. The Rakuten Institute of Technology (RIT) is developing advanced technologies to support innovative new services. We plan to build a more flexible development organization by shifting to a global R&D structure with sites located overseas as well as in Japan. RIT opened a research site in New York in June 2010. We see dynamic technology development as the key to our future as a company with a global reputation for unique technologies.

International Expansion of Points Strategy

The Rakuten Super Points Program is a highly effective marketing tool that has become an established feature of the Rakuten Eco-System in Japan, and we are now actively extending this system into other countries. In fiscal 2010, we introduced the program through Buy.com in the United States and

Rakuten Ichiba China, and we plan to develop it further by applying the lessons of success in Japan. We are also implementing points-based marketing activities in other countries. We see this approach as a highly efficient way to build user loyalty.

Building a Global Market Organization Based on Our Corporate Philosophy

Rakuten Shugi (Rakuten basic principles) defines our code of conduct and values that are shared by all Rakuten Group executives and employees. We will continue to enhance management speed and quality by ensuring that this philosophy is assimilated at our business sites in Japan and overseas. With the increasing globalization of our business activities, human resource development and the improvement of corporate information and accounting systems will also be priorities.

Forecasts for Fiscal 2011

In fiscal 2011, we anticipate continuing high growth driven by expanding demand for our e-commerce, travel and other services in Japan. We will also lay foundations for medium- to long-term revenue expansion by allocating strategic management resources to the development of our overseas business activities.

Returns to Shareholders

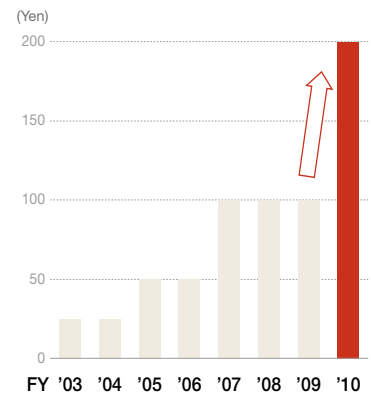
Maintaining sound corporate growth is a core management priority for the Rakuten Group, and we continually strive to maximize business performance and strengthen our financial position. Our basic policy on shareholder returns is to maintain stable increases in dividends, while also retaining sufficient income to build the reserves needed to maximize our corporate value by maintaining financial soundness and pursuing dynamic business development.

Accordingly, we set the dividend for fiscal 2010 at ¥200 per share, compared with ¥100 in the previous year. We will use retained earnings to expand our business activities, and to strengthen our financial position and operational infrastructure as the foundations for future business development.



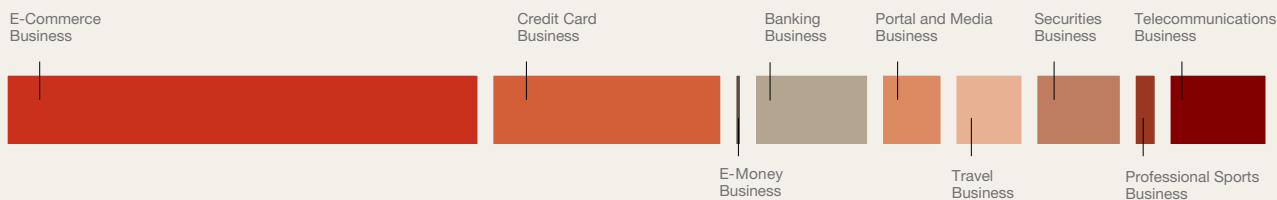
Hiroshi Mikitani
Chairman and CEO

**Dividend per Share
(Adjusted for Stock Splits)**



At a Glance

Sales Composition

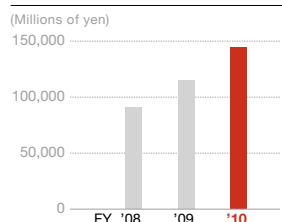


E-Commerce Business

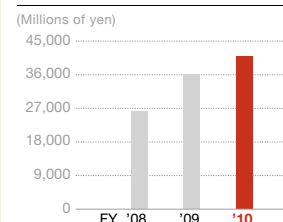
Share of Net Sales **41.6%**

The number of new merchants on Rakuten Ichiba grew steadily with a 13.7% year-on-year increase to over 37,000 as of December 31, 2010. We also conducted marketing programs based on our Rakuten Super Points Program and developed new services. These efforts resulted in high growth in orders and the number of unique purchasers, and group gross transaction volume (including Rakuten Books). We also expanded overseas into the United States, France and China. Net sales increased by 25.3% year on year to ¥144,082 million. Despite a ¥1,031 million increase in goodwill amortization due to the acquisitions, operating income rose 13.3% to ¥41,040 million.

Net Sales **+25.3%** ↗



Operating Income **+13.3%** ↗

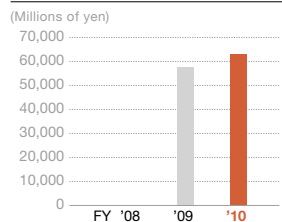


Credit Card Business

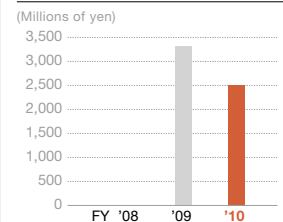
Share of Net Sales **18.2%**

We made excellent progress with the transition to a business model centered on the Rakuten Card. There was clear evidence of group synergies, including a steady increase in the number of card applications via Rakuten Ichiba, the expansion of transaction volume, a rising shopping revolving credit balance, and increased commission revenues. These factors helped to lift net sales by 9.4% year on year to ¥63,116 million. However, operating income was 24.2% lower at ¥2,510 million due to additional spending on sales promotion activities to attract new members for this strategic card service.

Net Sales **+9.4%** ↗



Operating Income **-24.2%** ↘

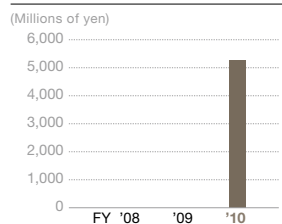


E-Money Business (Newly established in FY2010)

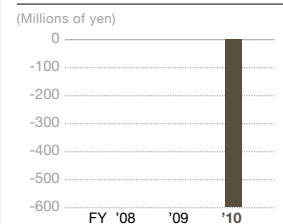
Share of Net Sales **1.5%**

We launched this new segment in the first quarter. A key priority was to increase the number of locations at which payments can be made using the Edy e-money system operated by bitWallet, Inc. We also took steps to enhance group synergies, including the introduction of e-money settlements for Rakuten Ichiba. These initiatives were very successful, and there was sustained growth in the value of settlements processed. Net sales in this segment reached ¥5,263 million, but there was an operating loss of ¥598 million because of increased expenditure, including sales promotion and merchant recruitment expenses.

Net Sales



Operating Loss

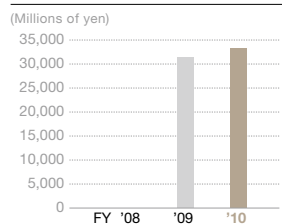


Banking Business

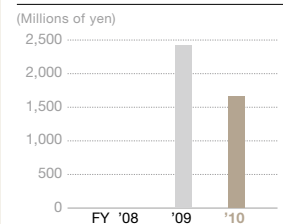
Share of Net Sales **9.6%**

Performance benefited from initiatives in the previous year, including improvements to the financial structure and changes to charges for existing services. Income from financial assets grew strongly as a result of lending activities, and service income, including commissions, was also higher. We also worked to maximize synergies within the Rakuten Group, including the capture of settlement transactions for Rakuten Ichiba. Net sales increased by 9.9% year on year to ¥33,289 million. However, operating income fell 31.5% to ¥1,657 million due to a ¥3,317 million valuation loss on marketable securities, and a ¥558 million increase in goodwill amortization resulting from the acquisition of Rakuten Bank, Ltd. as a wholly owned subsidiary.

Net Sales **+9.9%** ↗



Operating Income **-31.5%** ↘

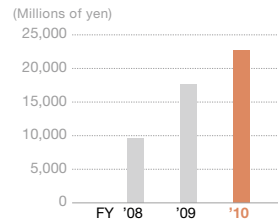


Portal and Media Business

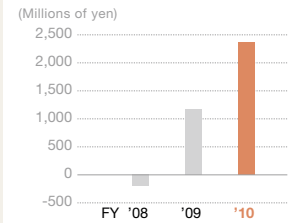
Share of Net Sales **6.6%**

There was an increase in advertising revenue from the Rakuten Toolbar, which allows Rakuten Ichiba users to search for products and information more efficiently. This helped to lift net sales by ¥29.0% year on year to ¥22,730 million. Operating income was 104.1% higher at ¥2,377 million.

Net Sales **+29.0%** ↗



Operating Income **+104.1%** ↗

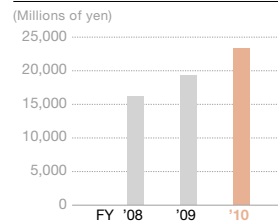


Travel Business

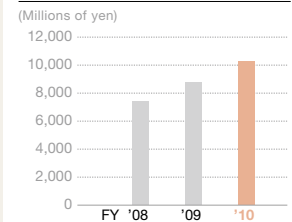
Share of Net Sales **6.7%**

In this segment, a key priority was to work with transportation companies to enhance and expand our travel services in Japan. We also developed smartphone applications and improved the attractiveness of our overseas travel services. These initiatives, combined with the growth of leisure-related travel, allowed us to achieve 20.0% year-on-year growth in gross booking transaction volume. Net sales increased by 20.5% year on year to ¥23,285 million, and operating income by 16.9% to ¥10,285 million.

Net Sales **+20.5%** ↗



Operating Income **+16.9%** ↗

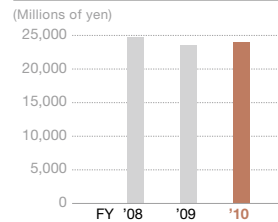


Securities Business

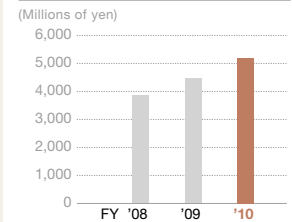
Share of Net Sales **6.9%**

Our efforts for this segment in fiscal 2010 included the expansion of our product line-up, the establishment of new accounts via the Rakuten Group, including Rakuten Ichiba, and the improvement of our trading tools for smartphones. Stock-related commission revenues were lower because of the stagnation of the Japanese stock market, but commissions from other areas, including mutual funds and foreign exchange, were higher, with the result that net sales increased by 1.7% to ¥23,961 million, and operating income by 16.6% to ¥5,204 million.

Net Sales **+1.7%** ↗



Operating Income **+16.6%** ↗

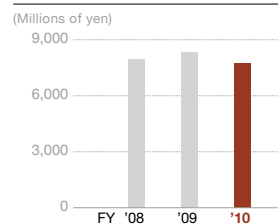


Professional Sports Business

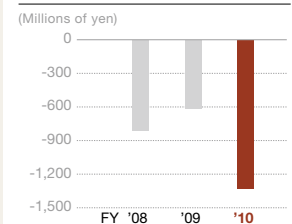
Share of Net Sales **2.2%**

Our team was less successful than in the preceding year. This and other factors combined to push sales down by 7.4% to ¥7,743 million. There was an operating loss of ¥1,332 million, compared with an operating loss of ¥617 million in the previous year.

Net Sales **-7.4%** ↘



Operating Loss **—**

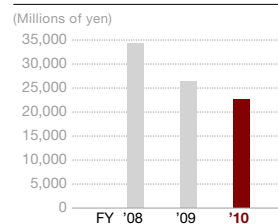


Telecommunications Business

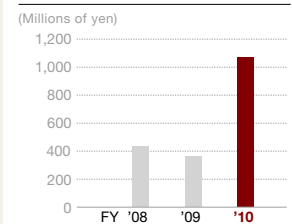
Share of Net Sales **6.7%**

The business environment was challenging, and net sales were 14.1% lower year on year at ¥22,676 million. However, our efforts to reduce the cost of sales and overheads enabled us to increase operating income by 196.0% to ¥1,074 million.

Net Sales **-14.1%** ↘



Operating Income **+196.0%** ↗



Review of Main Operations

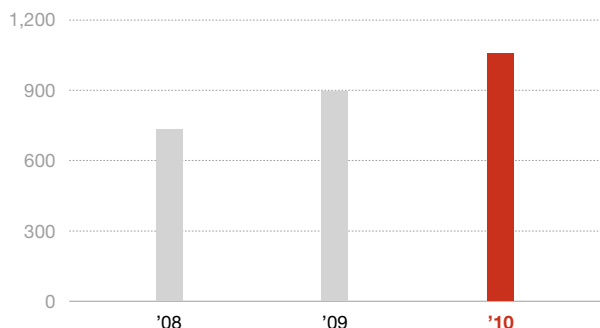


E-Commerce Business

Healthy Gross Merchandise Sales Growth in Japan

Our priority was to raise customer satisfaction with Rakuten Ichiba, our flagship business in this segment, by expanding product ranges and recruiting new merchants, including popular retailers and manufacturers. We also implemented dynamic sales promotion initiatives based on our Rakuten Super Points program and developed new services for smartphones and social media. The success of these efforts was reflected in continued high growth in our domestic E-Commerce Business. Gross merchandise sales (GMS) increased by 18.1% year on year.

Domestic E-Commerce GMS
(Billions of yen)



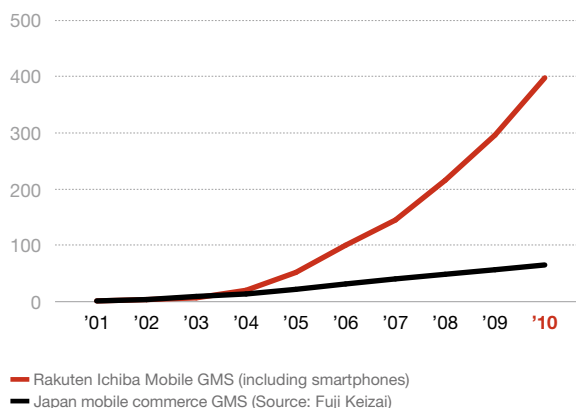
* Domestic E-Commerce = Mall (Fixed-price, Group purchase), Mobile, Business, Golf, Books, Auction (Flea market), download, tickets, Internet Supermarket, Check Out, Off-track betting, toto, ShowTime, Media rental

Rapid Growth in Mobile Transactions

In fiscal 2010, GMS on Rakuten Ichiba through mobile devices were around 400 times*1 higher than in fiscal 2001. The extremely rapid growth of mobile transactions on Rakuten Ichiba is apparent from the fact that total mobile e-commerce*2 sales in Japan increased nearly 65 times over the same period. In December 2010, GMS through smartphones were approximately eight times higher than the total for December 2009, indicating that the emergence of new mobile devices can be expected to drive further growth in GMS.

*1 Including sales through smartphones
*2 Based on research by the Fuji Keizai Group

Mobile Commerce GMS
(Times: 2001=1.0)



Rakuten Fulfillment Center Raises Logistical Efficiency

The Rakuten Fulfillment Center (RFC) was established as a consignment business to strengthen distribution agency services, including logistics and support for merchants. The center is already providing packaging services to Rakuten Ichiba merchants and has also become the distribution center for Rakuten Books. It will soon be able to provide same-day deliveries in the Tokyo Metropolitan Area. Improved logistical efficiency is also expected to bring cost savings. When the RFC becomes fully operational, we expect to achieve further growth in group gross transaction volume through the resulting reinforcement of our logistics business.



RFC at the Prologis Park Ichikawa I



Travel Business

Our Presence

Our Strategies

Our Operations

Our Backbone

Our Performance

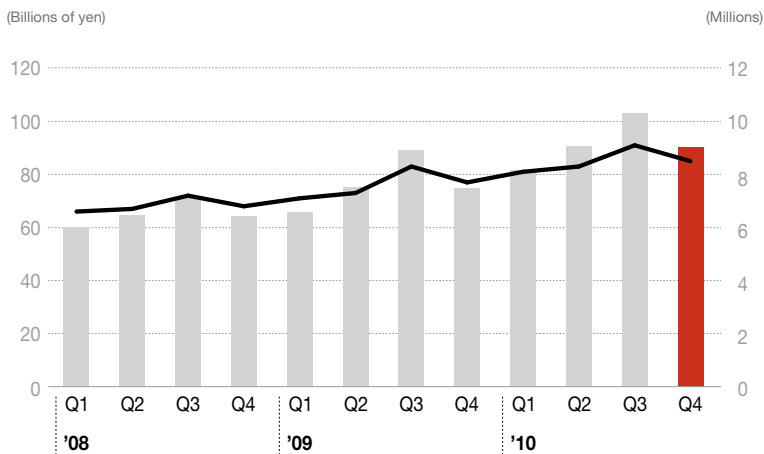
Achieving a Substantial Increase in Gross Booking Transaction Volume

In the Travel Business, Rakuten works in partnership with airlines, railroads and other transportation companies. In fiscal 2010, we further enhanced our domestic travel services by expanding the range of options available to customers, including through expressway bus services and rental cars. We also reinforced our business in other areas, for instance by developing smartphone applications and enhancing our overseas travel products. Online booking is gaining wide acceptance among individual travelers, a trend that helped us achieve a substantial 20.0% year-on-year increase in gross booking transaction volume (GTV).

Extending Our Range of Travel Packages

We continued to offer a wide range of services. These include the ANA Raku Pack, of which we have sold over 1 million since their introduction, as well as accommodation plans linked with products provided by East Japan Railway Company and Hokkaido Railway Company. In September 2010, we launched the JAL Raku Pack service, and in December 2010 we further enhanced our dynamic package tour range by extending the ANA Raku Pack lineup to include international travel. Both products have proven extremely popular and are expected to contribute to further growth in GTV.

Rakuten Travel GTV*



■ GTV (Left scale) * Travel GTV = Booking base (before cancellations, excl. tax) = Domestic / International hotel room booking, International tickets, Domestic / International DP, Domestic Bus, Rental car service

— Nights booked (Right scale)



The Japanese Rakuten Travel website
➡ <http://travel.rakuten.co.jp/>

Expanding Our Overseas Presence

Rakuten Travel, Inc. opened its first overseas office in 2002. Today, it has offices in Shanghai, Beijing, Guangzhou, Dalian and Hong Kong in China, as well as in Seoul in South Korea, Taipei in Taiwan, Bangkok in Thailand, and in Guam and Hawaii in the United States. It has also established a U.S. subsidiary, Rakuten Travel U.S.A. Inc., and opened a branch in New York. Rakuten Travel aims to be the world's premier travel site operator and is using a variety of strategies to capture travel demand internationally as well as in Japan.



The English-language Rakuten Travel site
➡ <http://travel.rakuten.co.jp/kaigai/>

Review of Main Operations

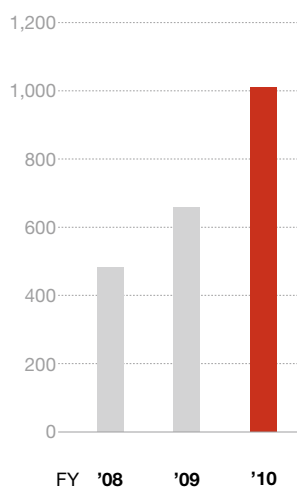


Credit Card Business

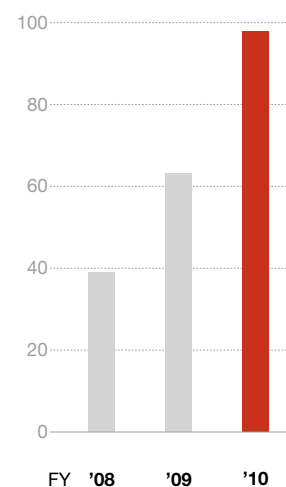
Shopping Transaction Volume Reaches ¥1 Trillion

Rakuten KC Co., Ltd. recorded a substantial increase in the number of Rakuten Card holders. This was the result of successful marketing strategies, including a points program designed to reinforce synergies within the Rakuten Group. The high level of card usage by individual cardholders is also apparent from Internet research showing that the Rakuten Card is now the second most widely used credit card after JCB cards. This growth was reflected in a steep increase in the Rakuten Card shopping transaction volume, which grew by 55.8% year on year to over ¥1 trillion, while revolving credit increased by 55.1% to ¥97.9 billion.

Credit Card Shopping Transaction Volume
(Billions of yen)



Revolving Credit Balance
(Billions of yen)

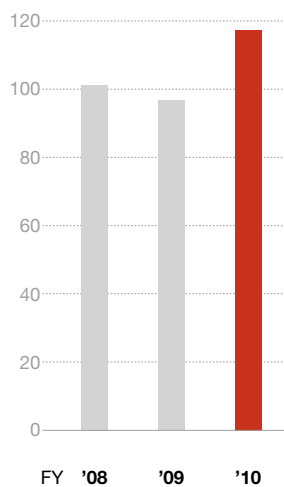


Banking Business

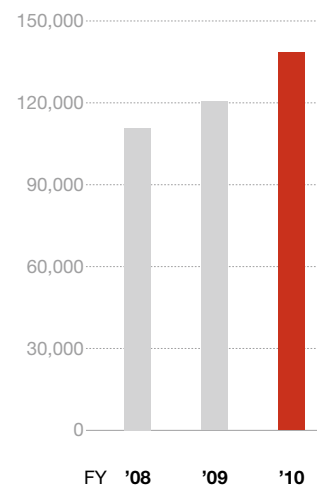
Sustained Growth in Lending

Rakuten Bank, Ltd. made effective use of group synergies in the marketing of its Rakuten Bank Super Loans, which are card loan services for individuals. By December 31, 2010, membership had increased by 14.8% year on year to 138,000, and the balance of loans was 21.5% higher at ¥117.4 billion. In December 2010, Rakuten Bank further strengthened its product lineup by taking over the Rakuten Mortgage business. This new addition will help Rakuten Bank meet the financing needs of its customers while building a solid customer base.

Loan Receivables
(Billions of yen)



Total Customers
(Persons)



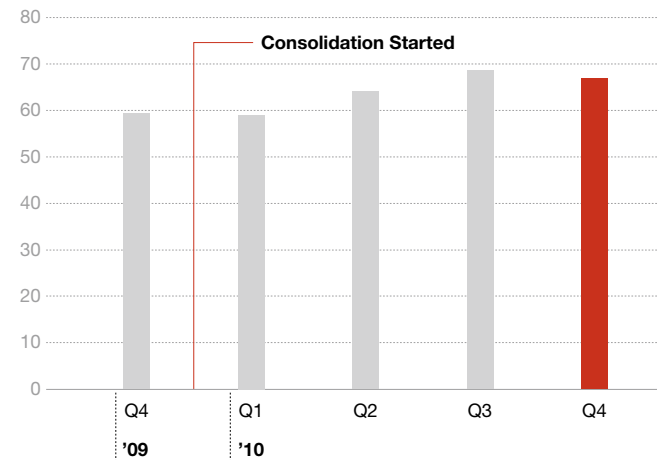


E-Money Business

Strong Growth in Transaction Volume

By expanding the number of partner companies for the Edy e-money system, we were able to increase the number of locations at which the Edy card is accepted, especially convenience stores. We also used the Rakuten Group network to introduce various enhancements to convenience and service quality, including adding Edy functions to Rakuten Cards and introducing Edy settlements on Rakuten Ichiba. These initiatives brought strong growth in transaction volume. We will continue to strengthen the settlement business through linkage with our Rakuten Super Points Program, and introduce further enhancements to customer convenience.

Transaction Volume of E-Money Settlements
(Billions of yen)

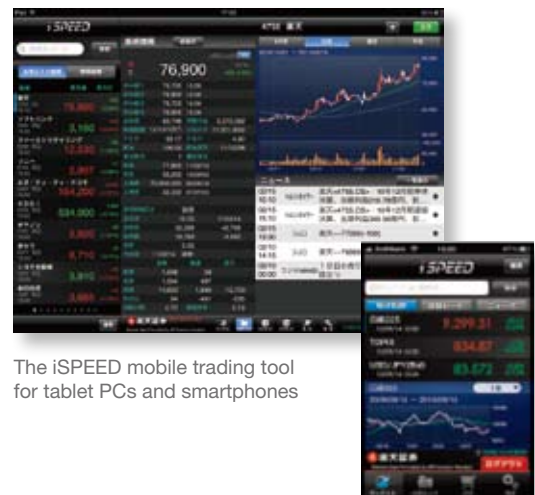


Securities Business

Emphasis on Customer Satisfaction

Rakuten Securities, Inc. launched a new version of its iSPEED mobile trading tool, allowing it to be used on tablet PCs and smartphones. For added user-friendliness, support for iPhone motion functions was also introduced. The aim was to create an easy-to-use investment environment with advanced information tools, including stock price searching and chart displays. Rakuten Securities also continued to expand its product lineup. The number of overseas ETFs reached 129 as of March 1, 2011, making it the largest number among Internet securities companies in Japan.

Committed to raising customer satisfaction, the company also launched services that match today's increasingly global investment needs. For example, it became the first major Internet securities company to offer foreign futures (stock price indexes and commodities), initially with a range of 28 products.



The iSPEED mobile trading tool for tablet PCs and smartphones

Our Philosophy and Social Responsibility

Empower Japan. Empower the World.

From the day Rakuten was founded, we have dedicated ourselves to empowering people and society through the Internet. This principle has driven the growth and development of our business, and is reflected in our efforts to empower Japan and the world through our activities. All Rakuten Group employees, in Japan as well as overseas, adhere to this philosophy and work to realize the ideal of a sustainable society by implementing it in all their activities.



Rakuten Social Responsibility Project

Four Points that Rakuten Group Should Consider

In response to the hardship brought to the Tohoku region of Japan by the Great East Japan Earthquake on March 11, 2011, and the difficulties that the struggling Japanese economy imposes on many people, Rakuten has formulated four central tenets that will guide our contributions to society.

1 Creation of Value for Society through Our Main Businesses

Through our wide-ranging business activities, we have helped to empower people throughout Japan and built up many strong relationships with people and businesses in various regions of Japan, including local residents, owners of Rakuten Ichiba shops, hotel owners and municipal governments. We will continue to contribute through our activities to the development of the Japanese economy and regional economies, including the Tohoku region, to meet the needs of people in an ever more personal and direct manner together with our partners.

2 Energy Conservation in Consideration of the Environment

In response to the unstable electric power supply resulting from the incident at the nuclear power stations in Fukushima, we have launched major power-saving efforts under an initiative called Project 60. This project was launched immediately after the earthquake and aims at reducing per-employee power consumption this summer by 40% compared to 2010 levels.

3 Contribution toward a Bright Future for Japan

We are determined to work for the future of Japan through a variety of measures, especially by helping to build communities that properly support children, who are Japan's future.

4 Energy that is Friendly to Both People and the Environment

Rakuten will thoroughly reflect upon the possibilities of green energy and consider how to best promote it.



For more on the Rakuten Social Responsibility Project, see:

<http://corp.rakuten.co.jp/en/csr/philosophy/>

Support for Disaster Recovery

Business-Based Support Activities—Rakuten Tasuke-Ai

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



Acceptance of Donations through Rakuten Bank, Edy, Point Cards

The Rakuten Group has started to accept donations through various channels, including the Rakuten Bank, Edy, credit cards linked to Rakuten membership IDs, and the Rakuten Super Points Program. The aim of this initiative is to use the Internet to channel large amounts of assistance into the disaster area as quickly as possible. Rakuten forwards all donations for use in relief and recovery activities through charitable organizations, such as the Japan Red Cross Society, and through local governments. As the result of these activities, total donations reached about ¥336.1 million at the end of May 2011. In addition to this, ¥300 million was contributed by the Rakuten Group.



Recovery Support Campaign by Tohoku Rakuten Golden Eagles






















The Tohoku Rakuten Golden Eagles are highly motivated by their role as a symbol of recovery efforts in the Tohoku region, and the entire team is working hard to provide encouraging news for the region. Team members are taking part in street appeals for donations and using baseball to help people in the disaster area, such as by visiting evacuation centers to play catch-ball, batting and baseball with children. In addition, we invited people in the disaster area to come to baseball games at our Kleenex Stadium Miyagi.



For more on Rakuten's CSR initiatives, governance and stakeholder relations, see:

<http://corp.rakuten.co.jp/en/csr/>

Corporate History

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
E-Commerce Business	 Internet Shopping Mall				 Online Book Store		 Performance Marketing		 Auction	 Internet Shopping Mall in Taiwan		 Internet Shopping Mall in United States	 Internet Shopping Mall in Europe	 Internet Shopping Mall in China
Credit Card Business									 Credit Card					
E-Money Business												 E-Money System		
Banking Business								 Personal Loan				 Internet Banking		
Portal and Media Business		 Portal Site			 Blog		 Internet Research		 Marriage Consultant				 Pay-per-view Video Service	
Travel Business					 Online Hotel Reservation									
Securities Business							 Online Securities Brokerage							
Professional Sports Business								 Professional Baseball						
Telecommunications Business											 IP Telephony			

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

2000 Rakuten, Inc. goes public through an IPO on the JASDAQ market.
Rakuten Books is founded as a joint venture with Nippon Shuppan Hanbai inc.
Infoseek Japan K.K. is acquired by Rakuten, Inc. to create a portal service.

2001 Rakuten Travel starts online hotel reservation services.

2003 MyTrip.net is acquired by Rakuten, Inc. to spearhead the travel business; later merged with Rakuten Travel, Inc. in 2004.
Rakuten, Inc. acquires 96.7% of shares in DLJdirect SFG Securities to create the current Rakuten Securities, Inc.

2004 Rakuten, Inc. acquires 96.5% of shares in Aozora Card; the company is later renamed Rakuten Credit, Inc.
Rakuten Baseball, Inc. is founded to start a professional sports business.

2005 Rakuten, Inc. acquires 100% of shares in LinkShare Corporation to spearhead overseas push.
Rakuten Auction, Inc. is founded as a joint venture with NTT Docomo, Inc. Kokunai Shinpan Co., Ltd. (now Rakuten KC Co., Ltd.) is included in the consolidation as a subsidiary of Rakuten Inc.

2006 Rakuten KC Co., Ltd. transfers its auto loan business to Orient Corporation to streamline its business.

2007 Rakuten, Inc. acquires 73.5% of the shares in Fusion Communications to commence an IP telephony business.
Rakuten Books is integrated into Rakuten Ichiba to improve business efficiency.

2008 Rakuten Logistics, Inc. is founded to commence new logistics business.
Rakuten, Inc. and President Chain Store establish a joint venture and start a Taiwan-based internet shopping mall business: Rakuten Ichiba Taiwan.
Rakuten, Inc. signs an agreement with eBANK Corporation (now Rakuten Bank, Ltd.) regarding a strategic and capital alliance.

2009 Rakuten Bank, Ltd. becomes a subsidiary.
Japanese pay-per-view video service provider SHOWTIME, Inc. is made a wholly owned subsidiary by stock acquisition.
TARAD Dot Com Co., Ltd., an Internet shopping mall operator in Thailand, becomes a subsidiary through Rakuten (Thailand) Co., Ltd.

2010 bitWallet, Inc., the Edy e-money system operator, becomes a subsidiary.
LinkShare Japan K.K. becomes a subsidiary through a merger with Traffic Gate, Ltd.
Buy.com Inc. becomes a subsidiary through Rakuten USA, Inc.
PRICEMINISTER S.A. (now PRICEMINISTER S.A.S.), an e-commerce site operator in France, becomes a wholly owned subsidiary through Rakuten Europe S.a.r.l.
Rakuten Bank Ltd. is made a wholly owned subsidiary through a stock swap.
Rakuten launches an Internet shopping mall in China as a joint venture with Baidu, Inc.

Corporate Governance

1. Basic Approach to Corporate Governance

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

Corporate Governance

1. Basic Structure of Corporate Governance and Reasons for Adoption

Rakuten, Inc. supervises management by using a Company Auditor System. In March 2003, the Company adopted an Executive Officer System to separate the supervisory and executive roles of management. Under that system, functions previously performed by the Board of Directors were separated, with directors retaining responsibility for management decision-making and supervision, while executive functions were transferred to the Executive Officers.

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

2. Corporate Organization

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

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

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

Board decisions are delegated to the Executive Officers' Meeting, which consists of Executive Officers. Individual Executive Officers carry out their respective duties in accordance with these decisions. To ensure appropriate and efficient conduct of business operations, activities in individual segments are supervised by management councils convened within each segment, as well as by Functional Teams responsible for human resources, financial management, accounting, organizational management and other management aspects across the Rakuten Group.

(2) Company Auditors and the Board of Auditors

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

A three-member Company Auditors' Office assists the Company Auditors in the performance of their duties. In addition to its regular meetings, the Board of Auditors holds extraordinary meetings as required.

In accordance with audit policies and plans established by the Board of Auditors, the Company Auditors attend Board of Directors meetings and other important management meetings, and receive reports about the state of the Company's operations from Directors, the Internal Audit Department and other sources. In addition, they conduct on-site inspections of the Company's head office and other important business sites, and check the operations of subsidiaries. In addition, the Company Auditors receive audit reports from the independent auditors and peruse financial statements and business reports. They also discuss various matters with the CEO.

3. Internal Control Systems

Basic internal control policies for Rakuten, Inc. are determined by the Board of Directors. The Company has declared its intention to comply with all regulatory requirements, and to apply high ethical standards to its business activities.

The performance of business operations by Directors and employees is subject to regular operational audits by the Internal Audit Department, an independent unit reporting directly to the CEO. The Compliance Committee also helps to ensure that all operations are conducted appropriately by implementing group-wide compliance initiatives.

Compliance training is provided for all Directors and employees to enable them to develop the knowledge and ethical perceptions needed to perform their duties. In addition, Rakuten has set up a hotline, the Rakuten Hotline, for reporting of compliance violations.

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

Rakuten, Inc. is also expanding the Rakuten Group Regulations (RGR) as the basis for integrated group management, with the aim of strengthening corporate governance and paving the way for further growth.

4. Risk Management Systems

Under the Rakuten Group Regulations (RGR), the units responsible for each business area also manage the risk factors associated with their respective business activities.

Information management risk is rigorously controlled under the leadership of the Risk Management Department. Our efforts to minimize risk throughout the Rakuten Group include Infor-

mation Security Management System (ISMS) certification. We have also strengthened our emergency reporting systems to ensure that risk information is gathered promptly.

To ensure proper supervision of the performance of Directors' duties in relation to business risk, business investments above a certain amount are subject to approval by the Board of Directors. In addition, management councils in each business segment gather risk information and maintain effective risk management by requiring thorough reporting of risks that could affect the performance of their business operations.

Management of group-level risk is unified under the Group Risk Management Committee. Chaired by the CEO, this committee is responsible for integrated monitoring of potential risk factors that could have a serious impact on the Rakuten Group.

Internal Audits, Company Auditor Organization, Personnel and Procedures

Internal audits are conducted by the 17-member Internal Audit Department, which is an independent unit reporting directly to the CEO. Head office divisions, business units and group companies are all subject to internal auditing. Audits are implemented under plans approved by the Board of Directors with the aim of verifying the legality, appropriateness and efficiency of operations. The purpose of the internal audit process is to ensure that business operations are conducted in an appropriate manner by identifying any improvements that may be required, and by monitoring the implementation of those improvements. Audit results are reported to the Board of Directors, the CEO, the Compliance Committee and the Executive Officers responsible for areas covered by audits. The Internal Audit Department also cooperates with the Board of Auditors.

The Internal Audit Department is also working to enhance the effectiveness of internal audits throughout the Rakuten Group by working closely with audit units in group companies.

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

Outside Directors and Outside Auditors

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

As described above, Rakuten appoints highly independent Outside Directors and Outside Auditors whose expertise and objective viewpoints strengthen supervision of the Board of Directors in the performance of its duties. They also enhance the effectiveness of corporate governance by allowing a wide range of discussion with the Board of Directors.

The four Outside Directors include attorneys, notably Mr. Koichi Kusano, who can contribute wide-ranging knowledge and experience of corporate law. Another, Mr. Ken Kutaragi, has extensive knowledge of the entertainment business and technology and wide-ranging experience in business management. Mr. Hiroshi Fukino also has extensive experience of business management and expertise as a business consultant. Mr. Joshua G. James was appointed as a person able to provide management with advice and recommendations based on his specialized knowledge of Internet services and wide-ranging business management experience.

There are four Outside Auditors. Mr. Takekiyo Kunitake has wide-ranging expertise and experience, especially in the fields of business management and finance. Mr. Yoshiaki Senoo has extensive knowledge and experience relating primarily to finance, business management and compliance. Mr. Takeo Hirata brings wide-ranging expert knowledge and experience relating to sport and education. Mr. Katsuyuki Yamaguchi was selected as a person who could contribute to Rakuten's audit systems through his extensive knowledge and experience, especially as an attorney, and through his perspectives as an expert on corporate law.

Documents for meetings of the Board of Directors are forwarded in advance to the Outside Directors and Outside Auditors, who, if necessary, can also seek advance briefings from and consultations with the units concerned. As noted above, the Outside Auditors also actively exchange views with the Internal Audit Department and the independent auditors.

Rakuten, Inc. has signed an agreement with each of its Outside Directors and Outside Auditors under the provisions of Article 427, Paragraph 1 of the Corporate Law. This agreement is summarized below:

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

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

share on the exercise date from the market price per share on the exercise date and multiplying the result by the number of shares granted through the exercise of the stock options.

2. If the options have been transferred

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

Remuneration for Directors and Auditors

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

Category of officer	Total amount of fees, etc. (millions of yen)	Total amount of each type of remuneration (millions of yen)			Number of recipients
		Basic fees	Stock options	Bonuses	
Directors (excluding Outside Directors)	823	582	65	176	12
Auditors (excluding Outside Auditors)	—	—	—	—	—
Outside Directors and Auditors	82	77	5	—	8

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

Name (title)	Consolidated total amount of fees, etc.	Company category	Consolidated total amounts for each type of fees, etc.		
			Basic fees	Stock options	Bonuses
Hiroshi Mikitani, Chairman and CEO	107	Filing company	70	9	27

3. Total amount of significant items included in salaries and bonuses paid to directors who are also employees

Total amount (millions of yen)	Number of recipients	Details
93	7	Salaries (including bonuses) paid to directors who are also employees

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

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

Shareholdings

1. Shares held for purposes other than pure investment

Number of companies: 12

Total amount shown in balance sheet: ¥53,723 million

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

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

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

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

Audits by Independent Auditors

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

In fiscal 2010, audits were conducted by the following chartered public accountants and assistants.

[Chartered public accountants]

Designated limited liability partner,
executive partner Masaharu Sugiyama

Designated limited liability partner,
executive partner Kenichi Ishida

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

[Names of assistants]

21 chartered public accountants and 29 others

Other Provisions of the Articles of Incorporation

1. Matters Requiring Resolutions of General Meetings of Shareholders that can be Implemented by Resolutions of the Board of Directors

The Articles of Incorporation of Rakuten, Inc. state that, unless otherwise stipulated in laws and regulations, the Board of Directors is authorized to pass resolutions on matters pertaining to the distribution of surpluses and other matters, as stipulated in the items of Article 459, Paragraph 1 of the Corporate Law, without resolutions of General Meetings of Shareholders. The purpose of this provision is to allow the Board of Directors to implement a flexible dividend policy.

2. Items Requiring Special Resolutions of General Meetings of Shareholders

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

2. Audit Fees, etc.

Audit Fees Paid to Chartered Public Accountants, etc.

Item	Fiscal year ended December 31, 2009		Fiscal year ended December 31, 2010	
	Fees paid for audit certification services (millions of yen)	Fees paid for non-audit services (millions of yen)	Fees paid for audit certification services (millions of yen)	Fees paid for non-audit services (millions of yen)
Company submitting financial reports	149	4	149	35
Consolidated subsidiaries	227	25	231	19
Total	376	30	380	54

Other Important Matters Pertaining to Fees

Fiscal year ended December 31, 2009

Some consolidated subsidiaries of Rakuten, Inc. are audited by Ernst & Young, which belongs to the same network as Ernst & Young ShinNihon LLC, the company providing certified public accountants and other audit personnel for Rakuten, Inc. Fees paid to Ernst & Young in fiscal 2009 amounted to ¥8 million.

Fiscal year ended December 31, 2010

Some consolidated subsidiaries of Rakuten, Inc. are audited by Ernst & Young, which belongs to the same network as Ernst & Young ShinNihon LLC, the company providing certified public accountants and other audit personnel for Rakuten, Inc. Fees paid to Ernst & Young in fiscal 2010 amounted to ¥42 million.

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

Fiscal year ended December 31, 2009

The non-audit services for which Rakuten, Inc. pays fees to certified public accountants and other audit personnel consist primarily of advisory services relating to the preparation of English financial statements.

Fiscal year ended December 31, 2010

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

Policy on Setting of Audit Fees

The policy of Rakuten, Inc. regarding audit fees paid to certified public accountants and other audit personnel is to pay fees that are appropriate based on relevant factors, including the size of Rakuten, Inc., the characteristics of its business activities, and the number of days required for audits.

Financial Section

Results of Operations and Financial Condition

For the fiscal year ended December 31, 2010

Business Performance

The Rakuten Group continued to focus on improving user convenience and satisfaction and on maximizing group-level synergies. We also moved forward on the international front under our medium- to long-term global growth strategy. For example, we acquired the U.S. company Buy.com Inc. and the French company PRICEMINISTER S.A. as consolidated subsidiaries in the third quarter, while in the fourth quarter we opened the Lekutian Internet shopping mall in China as a joint venture with Baidu, Inc.

These efforts were reflected in year-on-year growth of over 20% in net sales in several segments: 25.3% for the E-Commerce Business, 29.0% for the Portal and Media Business, and 20.5% for the Travel Business.

In finance-related services, we began to reap the benefits of our concentrated investment in management resources for our Credit Card Business, which is based on the Rakuten Card, and net sales increased by 9.4% year on year. The Banking and Securities Businesses also grew, despite difficult market conditions. In addition, we acquired bitWallet, Inc. as a consolidated subsidiary and launched a new segment, the E-Money Business.

Total net sales for fiscal 2010 increased by 16.1% year on year to ¥346,144 million. Despite a ¥1,645 million increase in goodwill amortization resulting from the acquisitions of Buy.com and PRICEMINISTER, operating income was 12.6% higher year on year at ¥63,766 million, while income before income taxes and minority interests increased by 15.6% to ¥60,717 million. Net income declined by 34.7% year on year to ¥34,956 million because of an ¥18,059 million income tax adjustment resulting from inclusion of deferred tax assets in the consolidated accounts for the previous fiscal year, when net income was very high.

Financial Position

Assets

Total assets of December 31, 2010 amounted to ¥1,949,517 million, up by ¥190,280 million from the previous year-end figure of ¥1,759,237 million. This increase consisted primarily of ¥33,004 million in loans for the Banking Business, ¥24,827 million in asset securitization gains resulting from the securitization of installment receivables of Rakuten KC Co., Ltd., and a ¥40,408 million increase in goodwill.

Liabilities

From ¥1,540,617 million as of December 31, 2009, total liabilities increased by ¥159,666 million to ¥1,700,283 million as of December 31, 2010. This resulted mainly from a ¥31,400 million increase in commercial paper issued by Rakuten KC, and a ¥30,703 million increase in short-term debt.

Net Assets

Total net assets amounted to ¥249,234 million as of December 31, 2010, an increase of ¥30,614 million from the previous

year-end total of ¥218,620 million. The main reasons for the higher figure were net income of ¥34,956 million, and a ¥34,105 million increase in shareholders' equity.

Cash Flows

The cash flow position in the year ended December 31, 2010 was as follows:

Net cash provided by operating activities—Cash inflows included ¥60,717 million from income before income taxes and minority interests (¥52,530 million in the previous year). In the Banking Business, the net growth of deposits resulted in a cash inflow of ¥14,919 million, compared with a ¥73,047 million net outflow in the previous year, but the net growth of lending produced an outflow of ¥33,004 million, compared with a ¥4,669 million inflow in the previous year. Rakuten KC recorded a cash outflow of ¥43,405 million relating to a net increase in beneficial interests in securitized assets, compared with the ¥39,798 million inflow in the previous year, and a cash inflow of ¥20,847 million resulting from the net reduction of operating loans receivable, compared with a ¥81,434 million outflow in the previous year.

On this basis, net cash provided by operating activities amounted to ¥30,305 million, compared with net cash used of ¥55,219 million in the previous year.

Net cash used in investing activities—There was a cash outflow of ¥40,159 million, compared with ¥3,293 million in the previous year, relating to the purchase of shares in two newly acquired companies, Buy.com and PRICEMINISTER, which became consolidated subsidiaries as a result of changes to the scope of consolidation. The cash outflow relating to the acquisition of shares in subsidiaries amounted to ¥18,825 million, compared with ¥1,670 million in the previous year. These acquisitions include a tender offer for shares in Rakuten Bank, Ltd., a consolidated subsidiary.

On this basis, net cash used in investing activities amounted to ¥60,538 million, compared with a cash inflow of ¥217,160 million in the previous year.

Net cash provided by financing activities—There was a cash inflow of ¥29,032 million, compared with a ¥77,600 million cash outflow in the previous year, resulting from a net increase in short-term loans payable by Rakuten Inc. and Rakuten KC. A net increase in commercial paper issued by Rakuten KC resulted in a cash inflow of ¥31,400 million, compared with ¥4,600 million in the previous year.

On this basis, net cash provided by financing activities amounted to ¥27,609 million, compared with net cash used of ¥174,157 million in the previous year.

These figures add to cash and cash equivalents of ¥100,737 million for the year ended December 31, 2010, a reduction of ¥2,882 million compared with the previous year's figure.

Our
Presence

Our
Strategies

Our
Operations

Our
Backbone

Our
Performance

Consolidated Balance Sheets

Rakuten, Inc. and Consolidated Subsidiaries
December 31, 2010 and 2009

ASSETS	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
CURRENT ASSETS:			
Cash and deposits	¥ 96,233	¥ 72,866	\$ 894,176
Notes and accounts receivable - trade	37,842	45,354	556,554
Accounts receivable - installment	93,111	100,909	1,238,298
Accounts receivable - installment sales - credit guarantee	2,834	2,466	30,255
Beneficial interests in securitized assets	41,774	66,601	817,296
Cash segregated as deposits for securities business	223,909	223,114	2,737,930
Margin transactions assets for securities business	119,060	126,779	1,555,765
Operating loans	177,806	156,950	1,926,001
Short-term investment securities	18,014	35,510	435,765
Securities for banking business	524,379	535,087	6,566,296
Loans for banking business	92,877	125,881	1,544,741
Deferred tax assets	13,680	13,340	163,702
Other	114,682	151,586	1,860,183
Allowance for doubtful accounts	(42,078)	(27,012)	(331,472)
Total current assets	1,514,125	1,629,432	19,995,489
NON-CURRENT ASSETS:			
Property, plant and equipment	19,525	21,890	268,624
Intangible assets			
Goodwill	87,047	127,456	1,564,064
Others	33,481	54,041	663,156
Total intangible assets	120,528	181,496	2,227,220
INVESTMENTS AND OTHER ASSETS:			
Investment securities	59,314	67,834	832,427
Deferred tax assets	26,136	25,459	312,416
Other	23,990	26,454	324,627
Allowance for doubtful accounts	(4,381)	(3,049)	(37,418)
Investments assets and other assets	105,059	116,698	1,432,052
Total non-current assets	245,112	320,084	3,927,896
TOTAL ASSETS	¥ 1,759,237	¥ 1,949,517	\$ 23,923,385

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 ¥81.49 to \$1, the rate of exchange prevailing at December 31, 2010.

LIABILITIES	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
CURRENT LIABILITIES:			
Short-term debts	¥ 83,090	¥ 143,507	\$ 1,761,039
Current portion of long-term debts	89,810	92,573	1,136,004
Notes and accounts payable - trade	28,232	36,835	452,020
Deposits for banking business	698,354	713,273	8,752,885
Accounts payable - credit guarantee	2,834	2,466	30,263
Income taxes payable	12,565	17,590	215,860
Deposits received for securities business	142,600	145,973	1,791,304
Margin transactions liabilities for securities business	59,016	55,329	678,961
Guarantee deposits received for securities business	89,122	77,773	954,383
Borrowings secured by securities for securities business	10,112	32,775	402,200
Provisions	12,318	15,686	192,488
Other	138,993	209,980	2,576,753
Total current liabilities	1,367,044	1,543,760	18,944,161
NON-CURRENT LIABILITIES:			
Long-term debts	158,067	134,256	1,647,516
Provision for loss on interest repayments	10,275	10,176	124,872
Deferred tax liabilities	460	4,694	57,598
Other non-current provisions	357	393	4,826
Other	1,674	5,027	61,687
Total non-current liabilities	170,833	154,546	1,896,500
RESERVES UNDER THE SPECIAL LAWS:			
Reserve for financial instrument transaction liabilities	2,728	1,965	24,108
Reserve for commodities transaction liabilities	11	13	157
Total reserves under the special laws	2,740	1,977	24,265
TOTAL LIABILITIES	1,540,617	1,700,283	20,864,925
NET ASSETS			
SHAREHOLDERS' EQUITY:			
Common stock - authorized, 39,418,000 shares ; issued, 13,181,697 shares in 2010 and 13,096,980 shares in 2009	107,606	107,779	1,322,606
Capital surplus	115,899	119,851	1,470,743
Retained earnings	(20,411)	13,183	161,780
Treasury stock - at cost, 60,079 shares in 2010 and 979.50 shares in 2009	(11)	(3,626)	(44,491)
Total shareholders' equity	203,083	237,188	2,910,638
VALUATION AND TRANSLATION ADJUSTMENTS			
Valuation difference on available-for-sale securities	1,842	6,001	73,638
Deferred gains or losses on hedges	(305)	(198)	(2,431)
Foreign currency translation adjustments	(1,275)	(4,694)	(57,600)
Total valuation and translation adjustments	261	1,109	13,607
SUBSCRIPTION RIGHTS TO SHARES	609	958	11,753
MINORITY INTERESTS	14,666	9,979	122,462
TOTAL NET ASSETS	218,620	249,234	3,058,460
TOTAL LIABILITIES AND NET ASSETS	¥ 1,759,237	¥ 1,949,517	\$ 23,923,385

Our
PresenceOur
StrategiesOur
OperationsOur
BackboneOur
Performance

Consolidated Statements of Income

Rakuten, Inc. and Consolidated Subsidiaries
Years Ended December 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
NET SALES	¥ 298,252	¥ 346,144	\$ 4,247,692
COST OF SALES	70,039	75,251	923,440
Gross profit	228,213	270,893	3,324,252
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	171,564	207,127	2,541,747
Operating income	56,649	63,766	782,504
OTHER INCOME (EXPENSES)			
Interest income	183	65	801
Dividend income	185	209	2,567
Foreign exchange gain	15	17	211
Equity in earnings of affiliates	527	337	4,141
Interest expense	(2,216)	(1,629)	(19,995)
Commission fee expense	(645)	(369)	(4,527)
Gain on step acquisitions	287	1,700	20,866
Reversal of reserve for financial instruments transaction liabilities	478	764	9,373
Loss on retirement of non-current assets	(1,087)	(402)	(4,932)
Loss on investment securities	—	(1,867)	(22,909)
Impairment loss	(2,125)	(1,303)	(15,988)
Other - net	277	(573)	(7,031)
Other expenses - net	(4,119)	(3,050)	(37,424)
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	52,530	60,717	745,080
INCOME TAXES			
Income taxes - current	17,452	25,888	317,686
Income taxes - deferred	(18,059)	(760)	(9,330)
Income taxes	(607)	25,128	308,356
MINORITY INTERESTS IN INCOME (LOSS)	(427)	633	7,762
NET INCOME	¥ 53,564	¥ 34,956	\$ 428,962

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Consolidated Statements of Changes in Net Assets

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

	Millions of yen									
	As of Dec. 31, 2009	Changes in fiscal year 2010								As of Dec. 31, 2010
		Issuance of common stock	Increase by share exchanges	Cash dividends paid	Net income	Changes in scope of consolidation	Purchase of treasury stock	Net changes in items other than those in shareholders' equity	Total of changes in fiscal 2010	
Common stock	¥107,606	¥173	—	—	—	—	—	—	¥ 173	¥107,779
Capital surplus	115,899	173	¥3,778	—	—	—	—	—	3,951	119,851
Retained earnings	(20,411)	—	—	¥(1,310)	¥34,956	¥(52)	—	—	33,594	13,183
Treasury stock	(11)	—	—	—	—	—	¥(3,614)	—	(3,614)	(3,626)
Shareholders' equity	203,083	347	3,778	(1,310)	34,956	(52)	(3,614)	—	34,105	237,188
Valuation difference on available-for-sale securities	1,842	—	—	—	—	—	—	¥ 4,159	4,159	6,001
Deferred gains or losses on hedges	(305)	—	—	—	—	—	—	107	107	(198)
Foreign currency translation adjustments	(1,275)	—	—	—	—	—	—	(3,419)	(3,419)	(4,694)
Valuation and translation adjustments	261	—	—	—	—	—	—	848	848	1,109
Subscription rights to shares	609	—	—	—	—	—	—	349	349	958
Minority interests	14,666	—	—	—	—	—	—	(4,687)	(4,687)	9,979
Net assets	¥218,620	¥347	¥3,778	¥(1,310)	¥34,956	¥(52)	¥(3,614)	¥(3,490)	¥30,614	¥249,234
Net assets, Dec. 31, 2010 thousands of U.S. dollars	\$2,682,780	\$4,257	\$46,361	\$(16,071)	\$428,962	\$(642)	\$(44,355)	\$(42,833)	\$375,680	\$3,058,460

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Our
Presence

Our
Strategies

Our
Operations

Our
Backbone

Our
Performance

Consolidated Statements of Cash Flows

Rakuten, Inc. and Consolidated Subsidiaries
Years Ended December 31, 2010 and 2009

	Millions of yen		Thousands of
	2009	2010	U.S. dollars
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES			2010
Income before income taxes and minority interests	¥ 52,530	¥ 60,717	\$ 745,080
Depreciation and amortization	14,361	16,813	206,325
Amortization of goodwill	5,524	7,035	86,336
Decrease in allowance for doubtful accounts	(6,919)	(10,889)	(133,628)
Decrease in provision for loss on interest repayments	(5,090)	(99)	(1,217)
Interest expense	2,216	1,625	19,941
Loss on valuation of securities for banking business	2,478	2,935	36,018
Other loss (gain)	(652)	6,415	78,718
Increase in notes and accounts receivable-trade	(3,470)	(5,986)	(73,460)
(Increase) decrease in accounts receivable-installment	520	(7,798)	(95,688)
(Increase) decrease in beneficial interests in securitized assets	39,798	(43,405)	(532,638)
Decrease (increase) in operating loans receivable	(81,434)	20,847	255,819
Increase in notes and accounts payable-trade	7,138	6,697	82,182
Increase (decrease) in deposits for banking business	(73,047)	14,919	183,074
Decrease in call loans for banking business	21,000	4,000	49,086
(Increase) decrease in loans for banking business	4,669	(33,004)	(405,010)
Increase in operating assets for securities business	(45,687)	(16,192)	(198,703)
(Decrease) increase in operating liabilities for securities business	5,842	(11,664)	(143,139)
Increase in borrowings secured by securities for securities business	5,505	22,663	278,111
Other - net	17,489	17,935	220,090
Subtotal	(37,228)	53,563	657,297
Increase in guarantee deposits for business operation	(2,665)	(5,540)	(67,981)
Decrease in guarantee deposits for business operation	41	3,333	40,899
Income taxes paid	(15,366)	(20,801)	(255,261)
Other	—	(250)	(3,068)
Net cash provided by (used in) operating activities	¥ (55,219)	¥ 30,305	\$ 371,885

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	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES			
Increase in time deposits	¥ (10,982)	¥ (7,351)	\$ (90,209)
Decrease in time deposits	8,386	11,001	135,001
Purchase of securities for banking business	(526,820)	(370,844)	(4,550,788)
Proceeds from sales and redemption of securities for banking business	723,626	372,267	4,568,253
Purchase of investment securities	(10)	(3,376)	(41,423)
Advance receipt related to stock appraisal rights	40,000	8,875	108,913
Purchase of investments in subsidiaries	(1,670)	(18,825)	(231,014)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(3,293)	(40,159)	(492,809)
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	—	7,038	86,373
Purchase of property, plant and equipment	(2,886)	(5,758)	(70,657)
Purchase of intangible assets	(10,030)	(14,947)	(183,417)
Other payments	(2,161)	(1,059)	(12,996)
Other proceeds	2,300	1,850	22,699
Interest and dividends received	700	748	9,180
Net cash (used in) provided by investing activities	217,160	(60,538)	(742,895)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES			
Net increase (decrease) in short-term loans payable	(77,600)	29,032	356,264
Increase in commercial papers	4,600	31,400	385,323
Proceeds from long-term loans payable	49,650	83,385	1,023,254
Repayment of long-term loans payable	(135,204)	(92,550)	(1,135,718)
Proceeds from issuance of bonds	1,234	1,400	17,180
Redemption of bonds	(6,010)	(18,280)	(224,324)
Purchase of treasury stock	—	(3,614)	(44,355)
Purchase of treasury stock of consolidated subsidiaries	(4,116)	(415)	(5,089)
Interest paid	(2,246)	(1,639)	(20,109)
Cash dividends paid	(1,309)	(1,314)	(16,123)
Other	(3,155)	204	2,500
Net cash provided by (used in) financing activities	(174,157)	27,609	338,803
EFFECT OF CHANGE IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	(37)	(984)	(12,079)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(12,253)	(3,609)	(44,285)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	81,284	103,618	1,271,548
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES	34,587	727	8,923
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	¥ 103,618	¥ 100,737	\$ 1,236,186

Our
PresenceOur
StrategiesOur
OperationsOur
BackboneOur
Performance

Consolidated Subsidiaries and Affiliated Companies

(As of December 31, 2010)

Name	Location	Type of business	Voting rights or ownership (%)	Note
Consolidated Subsidiaries				
Rakuten Auction, Inc.	Shinagawa-ku, Tokyo	E-Commerce Business	60.0	
Rakuten Enterprise, Inc.	Shinagawa-ku, Tokyo	E-Commerce Business	100.0	
Signature Japan Co., Ltd.	Shinagawa-ku, Tokyo	E-Commerce Business	100.0	
Fine Trading Co., Ltd.	Shinagawa-ku, Tokyo	E-Commerce Business	100.0	
LinkShare Corporation	U.S.A.	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.	E-Commerce Business	100.0 (100.0)	5
Rakuten USA, Inc.	U.S.A.	E-Commerce Business	100.0	
Keiba Mall, Inc.	Shinagawa-ku, Tokyo	E-Commerce Business	100.0	
Rakuten Europe S.a.r.l.	Luxembourg	E-Commerce Business	100.0	2, 15
Taiwan Rakuten Ichiba Inc.	Taiwan	E-Commerce Business	51.0	
Net's Partners CO., Ltd.	Shinagawa-ku, Tokyo	E-Commerce Business	100.0	
FreeCause, Inc.	U.S.A.	E-Commerce Business	100.0 (100.0)	5
Rakuten (Thailand) Co., Ltd.	Thailand	E-Commerce Business	100.0	
TARAD Dot Com Co., Ltd.	Thailand	E-Commerce Business	67.0 (67.0)	6
Rakuten Shigoto Shoukai, Inc.	Shinagawa-ku, Tokyo	E-Commerce Business	100.0	2
LinkShare Hong Kong Ltd.	Hong Kong	E-Commerce Business	100.0	2, 5
LinkShare Japan K.K.	Shinagawa-ku, Tokyo	E-Commerce Business	63.8 (27.5)	
Rakuten Logistics, Inc.	Shinagawa-ku, Tokyo	E-Commerce Business	100.0	2
Buy.com Inc.	U.S.A.	E-Commerce Business	100.0 (100.0)	2, 5
BuyServices Inc.	U.S.A.	E-Commerce Business	100.0 (100.0)	2, 5
PRICEMINISTER S.A.S.	France	E-Commerce Business	100.0 (100.0)	2, 7
Voyager moins Cher S.A.S.	France	E-Commerce Business	100.0 (100.0)	2, 7
A Vender A Louer S.A.S.	France	E-Commerce Business	100.0 (100.0)	2, 7
TMG MEDIA GROUP S.A.S.	France	E-Commerce Business	100.0 (100.0)	2, 7
RakuBai Limited	Hong Kong	E-Commerce Business	51.0	2
Lekutian Co., Limited	People's Republic of China	E-Commerce Business	100.0 (100.0)	2, 8
Lekutian ICP	People's Republic of China	E-Commerce Business	— [100.0]	2
Rakuten KC Co., Ltd.	Fukuoka-shi, Fukuoka	Credit Card Business	97.3	16
Kajiyama Warehouse Co., Ltd.	Kitakyusyu-shi, Fukuoka	Credit Card Business	100.0 (100.0)	9
bitWallet, Inc.	Shinagawa-ku, Tokyo	E-Money Business	55.4 (0.1)	2
Rakuten Credit, Inc.	Shinagawa-ku, Tokyo	Banking Business	100.0	
Rakuten Mortgage Co., Ltd.	Shinagawa-ku, Tokyo	Banking Business	100.0	10
Rakuten Bank, Ltd.	Shinagawa-ku, Tokyo	Banking Business	100.0	14, 15
Rakuten Bank Systems, Ltd.	Shinagawa-ku, Tokyo	Banking Business	58.3 (58.3)	10
eBANK Capital Management (Cayman) Ltd.	Cayman Islands	Banking Business	100.0 (100.0)	10

Name	Location	Type of business	Voting rights or ownership (%)	Note
Target, Inc.	Shinagawa-ku, Tokyo	Portal and Media Business	100.0	
Rakuten Research, Inc.	Shinagawa-ku, Tokyo	Portal and Media Business	100.0	
Rakuten Shashinkan, Inc.	Shinagawa-ku, Tokyo	Portal and Media Business	100.0	
O-net, Inc.	Shinagawa-ku, Tokyo	Portal and Media Business	100.0	
SHOWTIME, Inc.	Shinagawa-ku, Tokyo	Portal and Media Business	100.0	
Rakuten Travel, Inc.	Shinagawa-ku, Tokyo	Travel Business	100.0	
RAKUTEN TRAVEL KOREA CO., LTD.	Republic of Korea	Travel Business	100.0 (100.0)	11
TABIMADO CO., LTD SHANGHAI	People's Republic of China	Travel Business	[100.0]	
Rakuten Bus Services Inc.	Shinagawa-ku, Tokyo	Travel Business	100.0 (100.0)	11
Rakuten Travel Guam Inc.	U.S.A.	Travel Business	100.0 (100.0)	11
Rakuten Securities, Inc.	Shinagawa-ku, Tokyo	Securities Business	100.0	
Rakuten Realty Management Co., Ltd.	Shinagawa-ku, Tokyo	Securities Business	100.0	
Rakuten Investment Management, Inc.	Shinagawa-ku, Tokyo	Securities Business	100.0	
Dot Commodity, Inc.	Shibuya-ku, Tokyo	Securities Business	58.1	
RS Empowerment, Inc.	Shinagawa-ku, Tokyo	Securities Business	100.0	
Rakuten Baseball, Inc.	Sendai-shi, Miyagi	Professional Sports Business	100.0	
FUSION COMMUNICATIONS CORPORATION	Chiyoda-ku, Tokyo	Telecommunication Business	75.1	
Rakuten Sociobusiness, Inc	Sendai-shi, Miyagi		100.0	
Equity-method Affiliates				
OKWave	Shibuya-ku, Tokyo	E-Commerce Business	18.6	14
E-Money Marketing United, LLP	Shibuya-ku, Tokyo	E-Money Business	50.0 (50.0)	2, 12
Drecom Co., Ltd	Shinjuku-ku, Tokyo	Portal and Media Business	19.8	14
WORLD TRAVEL SYSTEMS INC.	Shinjuku-ku, Tokyo	Travel Business	20.0	
Rakuten ANA Travel Online Co., Ltd.	Shinagawa-ku, Tokyo	Travel Business	50.0	
TECHMATRIX CORPORATION	Minato-ku, Tokyo		31.8	14
NEXT Co., Ltd.	Chuo-ku, Tokyo		16.0	14
SOURCENEXT CORPORATION	Minato-ku, Tokyo		28.1 (28.1)	2, 13, 14
AIRIO Life Insurance Co., Ltd	Minato-ku, Tokyo	Securities Business	34.0	2

- Notes:**
1. Business segments are used to indicate the type of business.
 2. The company became a group member during the fiscal year ended December 31, 2010.
 3. Indirectly held voting rights are shown in parentheses.
 4. 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.
 5. LinkShare Corporation, FreeCause, Inc. and Buy.com Inc. are subsidiaries of Rakuten USA, Inc. LinkShare International, LLC is a subsidiary of LinkShare Corporation, and LinkShare Ltd. and LinkShare Hong Kong Ltd. are subsidiaries of LinkShare International, LLC. BuyServices Inc. is a subsidiary of Buy.com Inc.
 6. TARAD Dot Com Co., Ltd is a subsidiary of Rakuten (Thailand) Co., Ltd.
 7. PRICEMINISTER S.A.S. is a subsidiary of Rakuten Europe S.a.r.l. In addition, Voyager moins Cher S.A.S., A Vender A Louer S.A.S. and TMG MEDIA GROUP S.A.S. are subsidiaries of PRICEMINISTER S.A.S.
 8. Lekutian Co., Limited is a subsidiary of RakuBai Limited.
 9. Kajiyama Warehouse Co., Ltd., is a subsidiary of Rakuten KC Co., Ltd.
 10. Rakuten Mortgage Co., Ltd., Rakuten Bank Systems, Ltd. and eBANK Capital Management (Cayman) Ltd. are subsidiaries of Rakuten Bank, Ltd.
 11. RAKUTEN TRAVEL KOREA CO., LTD., Rakuten Bus Services Inc. and Rakuten Travel Guam, Inc. are subsidiaries of Rakuten Travel, Inc.
 12. E-Money Marketing United, LLP is an equity-method affiliate of bitWallet, Inc.
 13. SOURCENEXT CORPORATION is an equity-method affiliate of RS Empowerment, Inc.
 14. Denotes companies required to submit financial reports and securities registration statements according to Japanese securities and exchange legislation.
 15. This is a special-purpose company.
 16. Net sales of Rakuten KC Co., Ltd. (excluding internal sales between consolidated subsidiaries) account for over 10% of consolidated net sales.

Corporate Information

Company Overview

Name	Rakuten, Inc.
Founded	February 7, 1997
Service Launched	May 1, 1997
IPO	April 19, 2000
Capital	107,779 million yen (As of December 31, 2010)
Employees	7,119 (Consolidated)
Headquarters	Shinagawa Seaside Rakuten Tower, 4-12-3 Higashishinagawa, Shinagawa-ku, Tokyo 140-0002, Japan

Board of Directors and Corporate Auditors (As of March 30, 2011)

Position	Name	Responsibilities	Shares owned (Thousands)
Chairman and CEO	Hiroshi Mikitani	E-Commerce Business Unit (BU), Banking BU, Development Unit	2,178
Deputy President and Director	Atsushi Kunishige		0
Senior Executive Officer and Director	Akio Sugihara		86
	Hiroaki Yasutake	Sub-head of Development Unit	4
	Hisashi Suzuki	Content BU, Community BU	3
	Kazunori Takeda	Business Directorate Department	3
	Ken Takayama	CFO	45
	Masatada Kobayashi	Sub-head of E-Commerce BU	42
	Takao Toshishige	Content Business	0
	Takeshi Hanai	Securities and Investment BU, Credit and Payment BU	—
	Toru Shimada	Group Marketing, Advertising BU, Global Marketing, Performance Marketing BU, Professional Sports BU, Telephony BU	3
Director	Charles B. Baxter		—
	Hiroshi Fukino		1
	Joshua G. James		—
	Ken Kutaragi		0
	Kouichi Kusano		13
Company Auditor	Katsuyuki Yamaguchi		—
	Takeo Hirata		—
	Tanejiyo Kunitake		0
	Yoshiaki Senoo		—

Note: Mr. Kusano, Mr. Kutaragi, Mr. Fukino, and Mr. James are Outside Directors as stipulated in Paragraph 15, Article 2 of the Corporate Law of Japan. Mr. Kunitake, Mr. Senoo, Mr. Hirata, and Mr. Yamaguchi are Outside Company Auditors as stipulated in Paragraph 16, Article 2 of the Corporate Law of Japan.

Stock Information

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

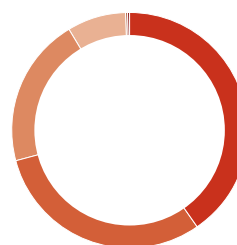
Number of Shares and Shareholders (As of December 31, 2010)

Number of Shares Authorized	39,418,000 (common stock)
Total Number of Shares Issued	13,181,697 (common stock)
Number of Shareholders	95,478

Main Shareholders (As of December 31, 2010)

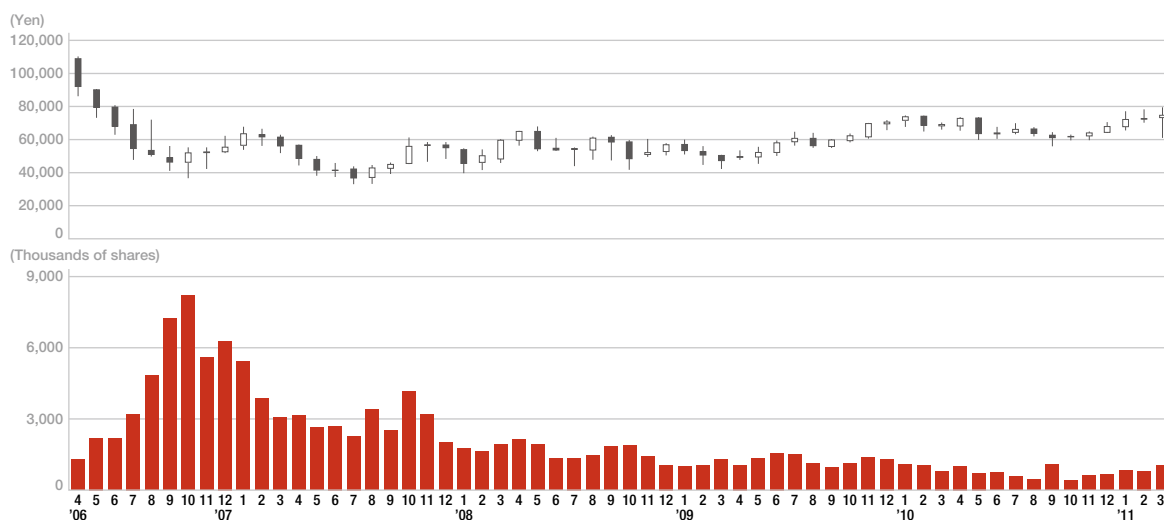
Name	Number of shares	Percentage held
Crimson Group, Inc.	2,264,190	17.18
Hiroshi Mikitani	2,178,314	16.53
Haruko Mikitani	1,458,750	11.07
Masuda and Partners Inc.	344,610	2.61
The Master Trust Bank of Japan, Ltd. (Trust Account)	338,996	2.57
THE CHASE MANHATTAN BANK 38503G	313,616	2.38
Japan Trustee Services Bank, Ltd. (Trust Account)	304,260	2.31
CBNY-ORBIS SICAV	289,953	2.20
THE CHASE MANHATTAN BANK, N.A. LONDON SECS LENDING OMNIBUS ACCOUNT	255,479	1.94
Japan Trustee Services Bank, Ltd. (Trust Account 9G)	208,158	1.58

Classification by Type of Shareholder (As of December 31, 2010)



Individuals	40.40%
Foreign financial institutions and individuals	30.70%
Other domestic corporations	20.33%
Domestic financial institutions	8.12%
Securities firms	0.44%
Others	0.01%

Monthly Stock Price Range (Osaka Securities Exchange)



Inquiry

Investor Relations, Rakuten, Inc.
 Tel +81-3-6387-0555
 URL <http://global.rakuten.com/investor/>



Annual Report | Fiscal Year Ended December 31, 2010

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