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Annual Financial Results (Consolidated) for the Fiscal Year Ended December 31, 2010

Rakuten, Inc.
February 15, 2011

Company Name	Rakuten, Inc.	Listed	Osaka Securities Exchange
Code No	4755	URL	http://www.rakuten.co.jp/
Representative	(Title) Chairman and CEO (Name) Hiroshi Mikitani		
Contact person	(Title) CFO Director (Name) Ken Takayama	TEL	+81-3-6387-0555
Scheduled date of the Annual General Meeting of Shareholders	March 30, 2011		
Scheduled date of commencement of dividend payment	March 31, 2011		
Scheduled date of filing the securities report	March 31, 2011		

(Amounts less than one million yen have been rounded off)

1. Consolidated Results for the Fiscal Year Ended Dec 31, 2010 (Jan 1 to Dec 31, 2010)

(1) Consolidated Operating Results (Percentage figures are refer to comparisons with the previous fiscal year)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended Dec 31, 2010	346,144	16.1	63,766	12.6	62,301	13.5	34,956	-34.7
Fiscal year ended Dec 31, 2009	298,252	19.4	56,649	20.1	54,890	23.3	53,564	—

	EPS (Earning per Share)	EPS (Earning per Share Diluted)	ROE (Return on Equity)	ROA (Ratio of Ordinary Profit to Total Assets)	OP margin (Ratio of Operating Profit to Net Sales)
	Yen	Yen	%	%	%
Fiscal year ended Dec 31, 2010	2,666.28	2,657.43	15.8	3.4	18.4
Fiscal year ended Dec 31, 2009	4,092.17	4,077.62	30.3	3.9	19.0

(Reference) Equity in earnings of affiliates : 337million yen (Fiscal year ended Dec 31, 2010), 527million yen (Fiscal year ended Dec 31, 2009)

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Book-value per Share
	Millions of yen	Millions of yen	%	Yen
As of Dec 31, 2010	1,949,516	249,233	12.2	18,160.62
As of Dec 31, 2009	1,759,236	218,619	11.6	15,527.21

(Reference) Shareholders' equity: 238,296 million yen (as of Dec 31, 2010); 203,344 million yen (as of Dec 31, 2009)

(3) Consolidated Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investment Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents, End of Year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended Dec 31, 2010	30,304	(60,538)	27,609	100,736
Fiscal year ended Dec 31, 2009	(55,218)	217,160	(174,157)	103,618

2. Dividend Distribution

	Dividend per Share					Total Dividend (Year)	Dividend Ratio (Consolidated)	Ratio of Dividend to Net Assets (Consolidated)
	1Q	2Q	3Q	Annual	Year			
	Yen	Yen	Yen	Yen	Yen	Millions of Yen	%	%
FY2009	—	—	—	100.00	100.00	1,309	2.4	0.7
FY2010	—	—	—	200.00	200.00	2,624	7.5	1.2
FY2011 (Forecast)	—	—	—	—	—		—	

3. Forecast of Consolidated Business Results for Fiscal Year ended Dec 31, 2011

Rakuten, Inc. and its group companies do not disclose earnings forecasts as its business operations include an Internet service business characterized by high uncertainty both in Japan and overseas, and financial related businesses such as securities business whose results heavily depended on high volatile market. This precludes us from making earnings forecasts.

4. Other

(1) **Significant changes in scope of consolidation:** Yes, new subsidiary: 1(bitWallet, Inc.)

(2) **Changes to consolidated accounting rules and procedures concerning the preparation and presentation of the financial statements (major items that provide the basis for preparing financial statements)**

Changes in accounting policy: Yes

Other changes: No

(3) **Number of shares issued (Common stock)**

1.Common stock (including treasury stock)	13,181,697 shares	(As of Dec 31, 2010)
	13,096,980 shares	(As of Dec 31, 2009)
2.Treasury stock	60,079 shares	(As of Dec 31, 2010)
	979 shares	(As of Dec 31, 2009)

5. Qualitative Information Related to Consolidated Business Results

(1) The Fiscal Year Ended Dec 31, 2010 of Consolidated Business Results

In the fiscal year ended December 31, 2010, the Japan's economy rallied in response to a range of government initiatives, including measures to stimulate external demand, tax reductions and subsidies for eco-car purchasers and the introduction of the eco-points system for electrical appliances. However, downside risks to economic performance also emerged, including rapid fluctuations in exchange rates. A number of risks with the potential to affect future economic trends continue to prevail, but it is believed that the Japanese economy will continue to strengthen, aided by the recovery of the world economy. Japan's e-commerce market has been expanding year by year (Note 1). With the spread of smartphones, there is also growing interest in the potential of mobile technology to drive growth in the e-commerce market (Note 2). For these and other reasons, we anticipate continued steady growth in our Internet-related business activities.

In this environment, the Rakuten Group continuously implemented a range of initiatives to enhance user convenience and satisfaction and realize group-level synergies during the fiscal year ended December 31, 2010. It was also a year of dynamic international expansion in line with our medium- and long-term global growth strategies. In the third quarter, we acquired Buy.com Inc. in the United States and the French company PRICEMINISTER S.A.S as consolidated subsidiaries. In the fourth quarter, we launched the Lekutian Internet shopping mall in China as a joint venture with the Chinese company Baidu, Inc. These initiatives were reflected in sales growth in excess of 20% in several segments compared with consolidated results for the previous fiscal year. There were increases of 25.3% in the e-commerce business segment, 29.0% in the portal and media business segment, and 20.5% in the travel business segment. In the area of financial services, the intensive investment of management resources in the "Rakuten Card" business produced a 9.4% year-on-year sales growth, and both the banking and securities businesses recorded revenue growth despite a challenging market environment.

Consolidated net sales in the fiscal year ended December 31, 2010 amounted to ¥346,144 million, an increase of 16.1% over the previous year's result. Goodwill amortization was ¥1,645 million higher year on year because of acquisitions and other factors, but operating income still increased by 12.6% to ¥63,766 million, and ordinary income by 13.5% to ¥62,301 million. Net income was 34.7% below the previous year's level at ¥34,956 million. This reflects the fact that net income was unusually high in the previous year because of a ¥18,058 million income tax adjustment resulting from the inclusion of deferred

tax assets.

(2) Business Segment Overview

Due to the inclusion of bitWallet Inc. as a consolidated subsidiary since the first quarter, we have created an E-Money Business Segment. In light of the above, we present the state of individual segments for the the fiscal year ended December 31, 2010.

E-Commerce Business Segment

The core of this segment is the “Rakuten Ichiba” Internet shopping mall. In the fiscal year ended December 31, 2010, we worked to expand our line-up of merchandise and attract new merchants. We also used our loyalty points system to promote sales, while aggressively deploying new services based on smartphones and social media. The success of these strategic initiatives was apparent from healthy trends in both the number of individual purchasers and the number of orders, and the growth rate of gross transaction volume, including “Rakuten Books,” remained high with a 17.9% increase compared with the previous year’s result. We strengthened our delivery services by opening the Rakuten Fulfillment Center (RFC) in Ichikawa City, Chiba prefecture, and also introduced the Rakuten 24 service, which allows purchasers of certain types of goods, such as household items, to acquire items from multiple merchants at the same time and receive them all in a single delivery.

Our global growth strategy calls for the expansion and development of our overseas e-commerce business. As mentioned above, during the year under review, we acquired e-commerce sites in the United States and France, and co-launched an Internet shopping mall in China.

These initiatives contributed to sustained sales growth in the e-commerce business segment. Consolidated net sales in the fiscal year ended December 31, 2010 increased by 25.3% year on year to ¥144,081 million. Goodwill amortization was ¥1,030 million higher because of the acquisitions, but operating income still exceeded the previous year’s result by 13.3% at ¥41,039 million.

Credit Card Business Segment

In the year ended December 31, 2010, we made good progress with the transition to a new business model based on the “Rakuten Card.” There was sustained growth in the number of new card members signing up through Rakuten Ichiba. This was reflected in clear evidence of income streams based on group synergies, including a healthy increase in shopping transactions, a steady build-up of shopping-related revolving credit with higher commission revenues. Net sales in this segment amounted to ¥63,116 million, an increase of 9.4% over the previous year’s result. However, operating income was 24.2% lower at ¥2,509 million because of higher sales promotion costs relating to the recruitment of new members for this strategic card service.

E-Money Business Segment

One of our goals for the e-money business in the year ended December 31, 2010 was to expand the number of locations in which the Edy e-money system can be used. This system is operated by bitWallet, Inc., which became a consolidated subsidiary in the first quarter. We also added new functions to the “Rakuten Card” and introduced e-money settlement for Rakuten Ichiba transactions. The success of these efforts to enhance group-level synergies was reflected in a sustained growth in settlement transactions. Net sales in this segment amounted to ¥5,262 million. However, this was not sufficient to cover cost items, including expenditure on sales promotion and merchant recruitment, and there was an operating loss of ¥598 million. There are no year-on-year comparisons for this segment, which was created in the first quarter of the fiscal year under review.

Banking Business Segment

In the fiscal year ended December 31, 2010, there was substantial growth in investment earnings from loans, as well as an increase in commissions and other service income. This growth resulted from initiatives during the previous year to improve the business structure of this segment, and from changes to the fee structure for existing services. We also stepped up our efforts to achieve group-level synergies, including the capture of Rakuten Ichiba settlement business. Net sales in this segment totaled ¥33,288 million, an increase of 9.9% over the result for the previous year. However, operating income was 31.5% lower year on year, at ¥1,656 million, because of factors that included a ¥3,317 million valuation loss on marketable securities and a ¥557 million increase in goodwill amortization resulting from the conversion of Rakuten Bank into a wholly owned subsidiary.

Portal and Media Business Segment

In the fiscal year ended December 31, 2010, net sales from this segment increased by 29.0% over the previous year’s level to ¥22,729 million, and operating income by 104.1% to ¥2,376 million. Reasons for this growth included an increase in advertising revenues resulting in part from the introduction of the “Rakuten Toolbar” service, which allows users to search for products and gather information more

efficiently at the “Rakuten Ichiba” and other sites.

Travel Business Segment

In the year under review, we continued to enhance and expand our domestic travel services in cooperation with transportation companies. We were also active in other areas, including the development of smartphone applications and the reinforcement of our overseas travel service products. A substantial increase in leisure-related travel helped to keep the year-on-year growth rate of gross booking transactions high at 20.0%. As a result, net sales for this segment increased by 20.5% year on year to ¥23,284 million, and operating income by 16.9% to ¥10,285 million.

Securities Business Segment

Our priorities for this segment in the fiscal year ended December 31, 2010 included the enhancement of our product lineup, and the establishment of new accounts through “Rakuten Ichiba” and other group operations, and the reinforcement of smartphone trading tools. Commission revenues from transactions in Japanese shares were lower because of depressed market trends and other factors. However, revenues commissions from other sources, including investment trust funds and foreign exchange, were higher, with the result that net sales increased by 1.7% year on year to ¥23,961 million, and operating income by 16.6% to ¥5,203 million.

Professional Sports Business Segment

Net sales in this segment were 7.4% below the previous year’s level at ¥7,743 million, and the operating loss increased from ¥617 million in previous year to ¥1,332 million in the year under review. One reason for this outcome was a slump in team performance compared with the previous season.

Telecommunications Business Segment

Market conditions were challenging in the fiscal year ended December 31, 2010, and net sales declined by 14.1% year on year to ¥22,675 million. However, operating income increased by 196.0% to ¥1,073 million, mainly because of efforts to reduce the cost of sales and cut overheads.

(Notes)

*1 Source: *Heisei 21 Nendo Wagakuni Joho Keizai Shakai ni Okeru Kiban Seibi* [Economic and Social IT Infrastructure Development in Japan in Fiscal 2009] (based on e-commerce market research, published by the Ministry of Economy, Trade and Industry on July 20, 2010)

*2 Source: *2015 Nendo Made no IT Shuyo Shijo no Kibo to Torendo wo Tenbo* [Forecasting the Scale of and Trends in Key IT Markets in the Period to Fiscal 2015] (published on December 20, 2010 by Nomura Research Institute)

*3 Summaries of net sales for each business segment show sales to outside customers and do not include internal intersegment sales or transfers.

(3) Outlook for the Coming Year

In the year ending December 31, 2011, we anticipate further expansion in the use of our services in Japan including e-commerce and travel, resulting in continued high growth. We will also continue to allocate management resources strategically to our overseas business activities with the aim of expanding income streams in the medium- to long-term perspective. Uncertainty will continue to affect some areas of our finance-related activities, but we expect sustained growth in earnings generated by synergies within the Rakuten Group. We therefore aim to surpass our financial results for the year ended December 31, 2010 through continued efforts to improve existing services and create new ones.

In addition to their activities in the rapidly changing environment of Internet-related business in Japan and overseas, Rakuten, Inc. and its group companies are also involved in the securities business and other finance-related business activities, with the result that their business performance is affected by financial market trends and other factors. For these reasons, it is impossible to predict financial results, and no forecasts are included in this report.

6. Qualitative Information Pertaining to the Consolidated Financial Positions

Assets

As of December 31, 2010, total assets amounted to ¥1,949,516 million, an increase of ¥190,279 million from the position at the end of the previous fiscal year (¥1,759,236 million). This change resulted mainly from a ¥33,004 million increase in loans and bills discounted for banking business, a ¥24,827 million increase in beneficial interests in securitized assets relating to the liquidation of the installment receivables of Rakuten KC Co., Ltd. and a ¥40,408 million increase in goodwill.

Liabilities

Total liabilities amounted to ¥1,700,282 million as of December 31, 2010, an increase of ¥159,665

million from the position at the end of the previous fiscal year (¥1,540,617 million). The main changes were a ¥31,400 million increase in commercial papers relating to Rakuten KC and other companies and a ¥30,702 million increase in short-term loans payable.

Net Assets

From ¥218,619 million at the end of the previous fiscal year, net assets increased by ¥30,614 million to ¥249,233 million as of December 31, 2010. This consists mainly of net income of ¥34,956 million and led to a ¥34,104 million increase in shareholders' equity.

7. Cash Flows

Cash Flows from Operating activities

Net cash provided by operating activities included income before income taxes of ¥60,716 million, compared with a cash inflow of ¥52,529 million in the previous fiscal year.

Rakuten Bank, Ltd. recorded a cash inflow of ¥14,918 million resulting from a net increase in deposits, compared with a ¥73,046 million cash outflow in the previous fiscal year. There was also a cash outflow of ¥33,004 million resulting from a net increase in lending by the banking business, compared with a cash inflow of ¥4,668 million in the previous fiscal year. There was also a ¥43,404 million cash outflow resulting from a net increase in asset liquidation beneficial interests relating to the liquidation of the installment receivables of Rakuten KC, compared with a cash inflow of ¥39,798 million in the previous fiscal year. A net decrease in operating loans produced a cash inflow of ¥20,846 million, compared with a cash outflow of ¥81,433 million in the previous fiscal year.

On this basis, net cash provided by operating activities amounted to ¥30,304 million, an increase of ¥85,523 million compared with the previous fiscal year's net outflow of ¥55,218 million.

Cash Flows from Investing activities

Cash outflows for acquisition of shares in subsidiaries increased from ¥3,292 million in the previous fiscal year to ¥40,158 million because of share acquisitions relating to the inclusion of newly acquired Buy.Com Inc. and PRICEMINISTER S.A.S. in the consolidation. There was also an ¥18,825 million cash outflow for the acquisition of shares in subsidiaries, including a takeover bid for Rakuten Bank, Ltd., which is now a consolidated subsidiary, compared with a cash outflow of ¥1,670 million in the previous fiscal year.

On this basis, net cash used for investing activities in the fiscal year ended December 31, 2010 amounted to ¥60,538 million, a reduction of ¥277,698 million compared with the previous fiscal year's net inflow of ¥217,160 million.

Cash Flows from Financing activities

A net increase in short-term borrowing by Rakuten, Inc. and Rakuten KC produced a cash inflow of ¥29,031 million, compared with a net outflow of ¥77,600 million in the previous consolidated accounting year. There was also an inflow of ¥31,400 million resulting from a net increase in commercial paper issues by Rakuten KC, compared with a ¥4,600 million inflow in the previous fiscal year.

On this basis, net cash provided by financing activities in the fiscal year ended December 31, 2010 amounted to ¥27,609 million, an increase of ¥201,766 million compared with the previous fiscal year's net outflow of ¥174,157 million.

These changes brought cash and cash equivalents as of December 31, 2010 to ¥100,736 million, a ¥2,881 million reduction from the position at the end of the previous fiscal year.

(Reference) Cash Flows Index

	FY2008	FY2009	FY2010
Shareholders' equity ratio (%)	13.8	11.6	12.2
Ratio of Shareholders' equity to market capitalization (%)	68.6	52.6	45.8
Ratio of cash flows to interest-bearing liabilities (X)	—	—	12.2
Interest coverage ratio (X)	—	—	18.5

(Notes)

1. Shareholders' equity ratio: shareholders' equity/total assets
2. Ratio of Shareholders' equity to market capitalization: aggregate value of shares/total assets
3. Ratio of cash flows to interest-bearing liabilities: interest-bearing liabilities/cash flows

4. Interest coverage ratio: cash flows/interest payments

- (1) All indicators were calculated using consolidated financial statistics.
- (2) Market capitalization is calculated as the value of shares at the end of the period multiplied by the total number of shares issued and outstanding at the end of the period.
- (3) "Cash flow" stands for cash flows from operating activities.
- (4) The ratio of cash flows to interest-bearing liabilities and interest coverage ratio are not shown for fiscal 2008 and fiscal 2009 because there was a net cash outflow resulting from operating activities.

8. Basic Policy on Income Distribution and Dividends for Fiscal 2010 and Fiscal 2011

Our basic policy on returns to shareholders reflects our commitment to the maximization of corporate value. For this reason, we also take into account the need to build up reserves of retained earnings to maintain a sound financial structure while dynamically developing our business activities. On this basis, we have sought to maintain stable dividends. In keeping with this basic policy, we plan to pay a dividend of ¥200 per share for fiscal 2010 (versus a dividend of ¥100 per share for fiscal 2009).

Reasons for the Difficulty of Forecasting Dividends

Rakuten is a participant in the Internet business sector. Because that sector is subject to rapid change, it is difficult to predict our financial performance. For this reason, we have not included a dividend forecast for fiscal 2011.

9. Management Policies

(1) Basic Management Policy

Our basic business philosophy calls for the empowerment of individuals and society through the Internet services. We contribute to social innovation and enrichment by creating growth opportunities for as many people as possible through the provision of services that ensure a high standard of satisfaction for both users and partner enterprises. Through these activities, we aim to maximize shareholders' value and corporate value of the Rakuten Group, and to become a truly global Internet service company.

(2) Targets for Financial Indicators

The key performance indicators (KPIs) used by the Rakuten Group include the amounts and growth rates for group and business unit (BU) net sales, operating income, ordinary income and income before income taxes, together with gross transaction volume (the value of transactions in goods and services), the number of Rakuten Group members and others. By focusing on these indicators, we aim to enhance our growth potential and earnings performance.

(3) Medium- to Long-Term Management Strategies

At the heart of the basic management strategy of the Rakuten Group is a business model known as the "Rakuten Eco-System," which is based on the provision of a wide range of Internet services to users, especially Rakuten members. With this Rakuten Eco-System, we have created an environment in which members worldwide can continuously surf between multiple services, including e-commerce transactions and financial services. Our goal is to achieve synergistic benefits that include the expansion of gross transaction volume and maximization of the lifetime value of each member.

To ensure that the Rakuten Group can continue to achieve growth through the achievement of these goals, we use new tools, such as social media, to enhance each of our services. We also employ highly efficient methods, such as marketing based on the Rakuten Super Points program, to build user loyalty. At the same time, we are developing new markets through dynamic international expansion.

Rakuten must be able to respond quickly to trends in the rapidly changing Internet business environment. This is reflected in the priority given to the development of robust management systems, the speedy performance of business activities, and the sharing of strategies by all executives and employees.

In the future Rakuten will further increase its efforts to energize communities in Japan and other countries where it is active. We also aim to contribute to economic prosperity in Japan and globally through the growth of Rakuten Group over the medium- to long-term future.

(4) Challenges

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

1. Globalization

We aim to contribute to economic growth and the advancement of the Internet sector by extending the Rakuten Eco-System business model that we developed in Japan to other countries.

2. Further improvement of Internet services

In the Internet service area, including e-commerce (EC), we will work with our partner companies to achieve continuing improvement in user satisfaction by creating new services, such as services based on social media and smartphones, by expanding our product line-up, and by improving delivery quality.

3. Strengthening financial service brands

We will strengthen our financial service brands in such areas as credit cards, net banking and e-money. By providing these financial services, we will further reinforce the Rakuten Eco-System business model as an environment in which Rakuten members can enjoy one-stop access to multiple services.

4. Development of technology

Rakuten will give priority to the development of Internet-related technology, such as cloud computing. We will also strengthen our development organization, including overseas development centers, with the aim of building a reputation for Rakuten as a company with unique, world-class technology.

5. Development of global management structure

We will enhance the speed and quality of management by ensuring that the Rakuten philosophy, which defines the values and code of conduct that all Rakuten Group executives and employees are expected to share, is fully assimilated at business sites in Japan and overseas. Another priority will be the development of the human resources, internal information systems and accounting systems needed to support the globalization of our business activities.

10. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of December 31, 2009	As of December 31, 2010
(Assets)		
Current assets		
Cash and deposits	96,233	72,866
Notes and accounts receivable-trade	37,842	45,353
Accounts receivable-installment	93,111	100,908
Accounts receivable-installment sales credit guarantee	2,833	2,465
Beneficial interests in securitized assets	41,774	66,601
Cash segregated as deposits for securities business	223,908	223,113
Margin transaction assets for securities business	119,060	126,779
Operating loans	177,806	156,949
Short term investment securities	18,014	35,510
Securities for banking business	524,379	535,087
Loans and bills discounted for banking business	92,876	125,880
Deferred tax assets	13,680	13,340
Other	114,682	151,586
Allowance for doubtful accounts	(42,078)	(27,011)
Current assets	1,514,125	1,629,432
Noncurrent assets		
Property, plant and equipment	19,524	21,890
Intangible assets		
Goodwill	87,047	127,455
Other	33,481	54,040
Intangible assets	120,528	181,496
Investments and other assets		
Investment securities	59,314	67,834
Deferred tax assets	26,135	25,458
Other	23,990	26,453
Allowance for doubtful accounts	(4,380)	(3,049)
Investments and other assets	105,058	116,697
Noncurrent assets	245,111	320,084
Assets	1,759,236	1,949,516
(Liabilities)		
Current liabilities		
Notes and accounts payable-trade	28,231	36,835
Accounts payable-credit guarantee	2,833	2,466
Commercial papers	18,600	50,000
Short-term loans payable	149,736	180,439
Deposits for banking business	698,353	713,272
Current portion of bonds	4,246	4,800
Income taxes payable	12,564	17,590
Deferred tax liabilities	3,159	2,716
Deposits received for securities business	142,599	145,973
Margin transaction liabilities for securities business	59,015	55,328
Guarantee deposits received for securities business	89,122	77,772

(Millions of yen)

	As of December 31, 2009	As of December 31, 2010
Borrowings secured by securities for securities business	—	32,775
Provisions	12,317	15,685
Other	146,262	208,103
Current liabilities	1,367,044	1,543,759
Noncurrent liabilities		
Bonds payable	18,987	5,553
Long-term loans payable	138,332	127,482
Deferred tax liabilities	460	4,693
Provision for loss on interest repayment	10,275	10,175
Other provisions	356	393
Other	2,420	6,246
Noncurrent liabilities	170,833	154,545
Reserves under the special laws		
Reserve for financial products transaction liabilities	2,728	1,964
Reserve for commodities transaction liabilities	11	12
Reserves under the special laws	2,739	1,977
Liabilities	1,540,617	1,700,282
(Net assets)		
Shareholders' equity		
Capital stock	107,605	107,779
Capital surplus	115,899	119,850
Retained earnings	(20,410)	13,183
Treasury stock	(11)	(3,625)
Shareholders' equity	203,083	237,187
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	1,841	6,000
Deferred gains or losses on hedges	(305)	(198)
Foreign currency translation adjustment	(1,274)	(4,693)
Valuation and translation adjustments	261	1,108
Subscription rights to shares	608	957
Minority interests	14,666	9,979
Net assets	218,619	249,233
Liabilities and net assets	1,759,236	1,949,516

(2) Consolidated Income Statements

(Millions of yen)

	Fiscal year ended Dec 31, 2009 (Jan 1 to Dec 31, 2009)	Fiscal year ended Dec 31, 2010 (Jan 1 to Dec 31, 2010)
Net sales	298,252	346,144
Cost of sales	70,039	75,251
Gross profit	228,212	270,893
Selling, general and administrative expenses	171,563	207,126
Operating income	56,649	63,766
Non-operating income		
Interest income	183	65
Dividend income	185	209
Foreign exchange gains	15	17
Equity in earnings of affiliates	527	337
Other	554	425
Non-operating income	1,465	1,054
Non-operating expenses		
Interest expenses	2,215	1,629
Commission fee	645	368
Other	362	520
Non-operating expenses	3,223	2,518
Ordinary income	54,890	62,301
Extraordinary income		
Gain on step acquisitions	—	1,700
Reversal of reserve for financial products transaction liabilities	478	763
Reversal of provision for loss on business liquidation	351	—
Gain on change in equity	4,034	—
Other	572	570
Extraordinary income	5,436	3,034
Extraordinary loss		
Loss on investment securities	—	1,866
Loss on retirement of noncurrent assets	1,086	401
Loss on valuation of investment securities	1,773	—
Restructuring loss	695	—
Impairment loss	2,125	1,302
Other	2,116	1,048
Extraordinary loss	7,797	4,619
Income before income taxes	52,529	60,716
Income taxes-current	17,451	25,888
Income taxes-deferred	(18,058)	(760)
Income taxes	(607)	25,127
Minority interests in income (loss)	(427)	632
Net income	53,564	34,956

(3) Consolidated Statements of Changes in Net Assets

(Millions of yen)

	Fiscal year ended Dec 31, 2009 (Jan 1-Dec 31, 2009)	Fiscal year ended Dec 31, 2010 (Jan 1-Dec 31, 2010)
Shareholders' equity		
Capital stock		
Balance at the end of previous period	107,534	107,605
Changes of items during the period		
Issuance of new shares	70	173
Total changes of items during the period	70	173
Balance at the end of current period	107,605	107,779
Capital surplus		
Balance at the end of previous period	119,565	115,899
Changes of items during the period		
Issuance of new shares	70	173
Increase by share exchanges	—	3,777
Dividends from surplus-other capital surplus	(1,308)	—
Deficit disposition	(2,428)	—
Disposal of treasury stock	0	—
Total changes of items during the period	(3,666)	3,951
Balance at the end of current period	115,899	119,850
Retained earnings		
Balance at the end of previous period	(76,408)	(20,410)
Changes of items during the period		
Dividends from surplus	—	(1,309)
Deficit disposition	2,428	—
Net income	53,564	34,956
Change of scope of consolidation	5	(52)
Total changes of items during the period	55,997	33,594
Balance at the end of current period	(20,410)	13,183
Treasury stock		
Balance at the end of previous period	(11)	(11)
Changes of items during the period		
Purchase of treasury stock	—	(3,614)
Disposal of treasury stock	0	—
Total changes of items during the period	0	(3,614)
Balance at the end of current period	(11)	(3,625)
Total shareholders' equity		
Balance at the end of previous period	150,680	203,083
Changes of items during the period		
Issuance of new shares	141	346
Increase by share exchanges	—	3,777
Dividends from surplus	—	(1,309)
Dividends from surplus-other capital surplus	(1,308)	—
Deficit Disposition	—	—
Net income	53,564	34,956
Change of scope of consolidation	5	(52)
Purchase of treasury stock	—	(3,614)
Disposal of treasury stock	0	—
Total changes of items during the period	52,402	34,104

(Millions of yen)

	Fiscal year ended Dec 31, 2009 (Jan 1-Dec 31, 2009)	Fiscal year ended Dec 31, 2010 (Jan 1-Dec 31, 2010)
Balance at the end of current period	203,083	237,187
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at the end of previous period	655	1,841
Changes of items during the period		
Net changes of items other than shareholders' equity	1,185	4,159
Total changes of items during the period	1,185	4,159
Balance at the end of current period	1,841	6,000
Deferred gains or losses on hedges		
Balance at the end of previous period	(335)	(305)
Changes of items during the period		
Net changes of items other than shareholders' equity	30	107
Total changes of items during the period	30	107
Balance at the end of current period	(305)	(198)
Foreign currency translation adjustment		
Balance at the end of previous period	(1,297)	(1,274)
Changes of items during the period		
Net changes of items other than shareholders' equity	22	(3,418)
Total changes of items during the period	22	(3,418)
Balance at the end of current period	(1,274)	(4,693)
Total valuation and translation adjustments		
Balance at the end of previous period	(977)	261
Changes of items during the period		
Net changes of items other than shareholders' equity	1,238	847
Total changes of items during the period	1,238	847
Balance at the end of current period	261	1,108
Subscription rights to shares		
Balance at the end of previous period	243	608
Changes of items during the period		
Net changes of items other than shareholders' equity	365	348
Total changes of items during the period	365	348
Balance at the end of current period	608	957
Minority interests		
Balance at the end of previous period	8,781	14,666
Changes of items during the period		
Net changes of items other than shareholders' equity	5,885	(4,687)
Total changes of items during the period	5,885	(4,687)
Balance at the end of current period	14,666	9,979
Net assets		
Balance at the end of previous period	158,727	218,619
Changes of items during the period		
Issuance of new shares	141	346
Increase by share exchanges	—	3,777
Dividends from surplus	—	(1,309)
Dividends from surplus-other capital surplus	(1,308)	—

(Millions of yen)

	Fiscal year ended Dec 31, 2009 (Jan 1-Dec 31, 2009)	Fiscal year ended Dec 31, 2010 (Jan 1-Dec 31, 2010)
Net income	53,564	34,956
Change of scope of consolidation	5	(52)
Purchase of treasury stock	—	(3,614)
Disposal of treasury stock	0	—
Net changes of items other than shareholders' equity	7,489	(3,490)
Total changes of items during the period	59,892	30,614
Balance at the end of current period	218,619	249,233

(4) Consolidated Statements of Cash Flow

(Millions of yen)

	Fiscal year ended Dec 31, 2009 (Jan 1-Dec 31, 2009)	Fiscal year ended Dec 31, 2010 (Jan 1-Dec 31, 2010)
Net cash provided by (used in) operating activities		
Income before income taxes	52,529	60,716
Depreciation and amortization	14,361	16,813
Amortization of goodwill	5,523	7,035
Increase (decrease) in allowance for doubtful accounts	(6,918)	(10,889)
Increase (decrease) in provision for loss on interest repayment	(5,089)	(99)
Loss (gain) on change in equity	(4,034)	—
Interest expenses	2,215	1,625
Loss (gain) on valuation of securities for banking business	2,478	2,935
Loss (gain) on sales of securities for banking business	(110)	—
Loss (gain) on valuation of investment securities	1,773	—
Loss on retirement of noncurrent assets	1,103	—
Other loss (gain)	615	6,414
Decrease (increase) in notes and accounts receivable-trade	(3,470)	(5,986)
Decrease (increase) in accounts receivable-installment	519	(7,797)
Decrease (increase) in beneficial interests in securitized assets	39,798	(43,404)
Decrease (increase) in operating loans receivable	(81,433)	20,846
Increase (decrease) in notes and accounts payable-trade	7,138	6,696
Increase (decrease) in deposits for banking business	(73,046)	14,918
Increase (decrease) in call loans for banking business	21,000	4,000
Increase (decrease) in loans for banking business	4,668	(33,004)
Decrease (increase) in operating receivables for securities business	(45,686)	(16,192)
Decrease (increase) in cash segregated as deposits for securities business	4,700	—
Increase (decrease) in operating payables for securities business	5,842	(11,664)
Increase (decrease) in loans payable secured by securities for securities business	5,504	22,663
Others, net	12,788	17,935
Sub-total	(37,228)	53,563
Payments for guarantee deposits for business operation	(2,665)	(5,539)
Proceeds from guarantee deposits for business operation	40	3,332
Income taxes paid	(16,419)	(20,801)
Income taxes refund	1,053	—
Others, net	—	(250)
Net cash provided by (used in) operating activities	(55,218)	30,304
Net cash provided by (used in) investing activities		
Payments into time deposits	(10,982)	(7,351)
Proceeds from withdrawal of time deposits	8,385	11,001
Acquisition of securities for banking business	(526,819)	(370,843)
Proceeds from sales and redemption of securities for banking business	723,626	372,266

(Millions of yen)

	Fiscal year ended Dec 31, 2009 (Jan 1-Dec 31, 2009)	Fiscal year ended Dec 31, 2010 (Jan 1-Dec 31, 2010)
Purchase of investment securities	—	(3,375)
Proceeds from partial payment due to share purchase demand	40,000	8,875
Purchase of investments in subsidiaries	(1,670)	(18,825)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(3,292)	(40,158)
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	—	7,038
Purchase of property, plant and equipment	(2,885)	(5,757)
Proceeds from sales of property, plant and equipment	200	—
Purchase of intangible assets	(10,029)	(14,946)
Payments for lease and guarantee deposits	(1,165)	—
Proceeds from collection of lease and guarantee deposits	1,405	—
Other payments	(1,006)	(1,059)
Other proceeds	694	1,849
Interest and dividend income received	699	748
Net cash provided by (used in) investing activities	217,160	(60,538)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short term loans payable	(77,600)	29,031
Increase (decrease) in commercial papers	4,600	31,400
Proceeds from long-term loans payable	49,650	83,384
Repayment of long-term loans payable	(135,204)	(92,549)
Proceeds from issuance of bonds	1,234	1,400
Redemption of bonds	(6,010)	(18,280)
Repayments of lease obligations	(3,531)	—
Purchase of treasury stock	—	(3,614)
Purchase of treasury stock of subsidiaries in consolidation	(4,115)	(414)
Interest expenses paid	(2,245)	(1,638)
Cash dividends paid	(1,309)	(1,313)
Others	376	203
Net cash provided by (used in) financing activities	(174,157)	27,609
Effect of exchange rate change on cash and cash equivalents	(36)	(984)
Net increase (decrease) in cash and cash equivalents	(12,252)	(3,608)
Cash and cash equivalents at beginning of period	81,283	103,618
Increase in cash and cash equivalents from newly consolidated subsidiaries	34,751	727
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(164)	—
Cash and cash equivalents at end of period	103,618	100,736

(Note) Consolidated Financial Statements

(Millions of yen)

Fiscal year ended Dec 31, 2009 (Jan 1 to Dec 31, 2009)	Fiscal year ended Dec 31, 2010 (Jan 1 to Dec 31, 2010)
The breakdown of selling, general and administrative expenses is as follows;	The breakdown of selling, general and administrative expenses is as follows;
Point Costs 6,809	Point Costs 10,074
Advertisement and promotion expenses 16,772	Advertisement and promotion expenses 26,013
Personnel expenses 41,181	Personnel expenses 49,373
Provision for bonuses 1,897	Provision for bonuses 2,710
Depreciation 12,849	Depreciation 15,421
Communications and maintenance expenses 13,235	Communications and maintenance expenses 14,706
Outsourcing expenses 21,180	Outsourcing expenses 24,750
Expenses for doubtful accounts 16,211	Expenses for doubtful accounts 13,243
Other 41,427	Allowance for loss on interest repayment 3,713
Total 171,563	Other 47,120
	Total 207,126

Business Segment Information
Fiscal year ended Dec 31, 2009 (Jan 1 to Dec 31, 2009)

(Millions of yen)

	E-Commerce	Credit card	Banking	Portal, Media	Travel	Securities
1 Sales and operating income (loss)						
Sales						
Sales to customers	115,002	57,698	30,301	17,621	19,320	23,549
Intersegment sales	1,657	2,227	1,204	6,871	360	23
Total sales	116,660	59,926	31,505	24,493	19,681	23,573
Operating costs	80,438	56,613	29,087	23,329	10,880	19,109
Operating income (loss)	36,222	3,312	2,418	1,164	8,801	4,463
2 Assets, depreciation, impairment loss, and capital expenditure						
Assets	310,357	304,938	789,452	11,007	24,058	408,304
Depreciation	5,989	1,243	2,518	129	722	2,128
Impairment loss	434	296	1,181	15	—	7
Capital expenditure	5,768	1,086	2,540	82	653	2,326

	Professional sports	Telecom-munications	Total	Eliminations	Consolidated
1 Sales and operating income (loss)					
Sales					
Sales to customers	8,360	26,396	298,252	—	298,252
Intersegment sales	472	57	12,875	(12,875)	—
Total sales	8,833	26,454	311,127	(12,875)	298,252
Operating costs	9,450	26,091	254,998	(13,395)	241,603
Operating income (loss)	(617)	362	56,128	520	56,649
2 Assets, depreciation, impairment loss, and capital expenditure					
Assets	11,071	9,333	1,868,523	(109,286)	1,759,236
Depreciation	877	749	14,359	1	14,361
Impairment loss	—	190	2,125	—	2,125
Capital expenditure	436	956	13,850	9	13,859

Fiscal year ended Dec 31, 2010 (Jan 1 to Dec 31, 2010)

(Millions of yen)

	E-Commerce	Credit card	E-money	Banking	Portal, Media	Travel	Securities
1 Sales and operating income (loss)							
Sales							
Sales to customers	144,081	63,116	5,262	33,288	22,729	23,284	23,961
Intersegment sales	2,551	3,399	24	1,906	8,129	494	304
Total sales	146,632	66,515	5,287	35,194	30,859	23,779	24,265
Operating costs	105,592	64,005	5,885	33,538	28,482	13,494	19,062
Operating income (loss)	41,039	2,509	(598)	1,656	2,376	10,285	5,203
2 Assets, depreciation, impairment loss, and capital expenditure							
Assets	340,543	340,690	29,595	822,800	12,561	33,944	438,128
Depreciation	6,934	1,333	837	2,669	344	622	2,378
Impairment loss	720	161	151	43	211	—	4
Capital expenditure	12,495	1,127	569	2,445	216	498	2,922

	Professional sports	Telecommunications	Total	Eliminations	Consolidated
1 Sales and operating income (loss)					
Sales					
Sales to customers	7,743	22,675	346,144	—	346,144
Intersegment sales	498	182	17,491	(17,491)	—
Total sales	8,241	22,858	363,635	(17,491)	346,144
Operating costs	9,574	21,784	301,420	(19,042)	282,378
Operating income (loss)	(1,332)	1,073	62,215	1,550	63,766
2 Assets, depreciation, impairment loss, and capital expenditure					
Assets	10,095	9,977	2,038,337	(88,820)	1,949,516
Depreciation	909	782	16,812	1	16,813
Impairment loss	—	9	1,302	—	1,302
Capital expenditure	568	1,074	21,917	0	21,917

Consolidated Financial Statements (Summary)

1. Consolidated Income Statements

	Three months ended Dec 31, 2009 (Oct 1 to Dec 31, 2009)		Three months ended Dec 31, 2010 (Oct 1 to Dec 31, 2010)	
	Amount (Millions of yen)	(%)	Amount (Millions of yen)	(%)
Net sales	81,202	100.0	93,588	100.0
Cost of sales	17,927	22.1	20,332	21.7
Gross profit	63,274	77.9	73,255	78.3
Selling, general, and administrative expenses	45,244	55.7	53,691	57.4
Operating income	18,029	22.2	19,563	20.9
Non-operating income				
Interest income	42		—	
Foreign exchange gains	6		—	
Equity in earnings of affiliates	152		—	
Other	99		124	
Total non-operating income	302	0.4	124	0.1
Non-operating expenses				
Interest expenses	461		411	
Commission fee	241		—	
Other	102		90	
Total non-operating expenses	806	1.0	502	0.5
Ordinary income	17,525	21.6	19,186	20.5
Extraordinary income				
Others	(15)		188	
Total extraordinary income	(15)	(0.0)	188	0.2
Extraordinary loss				
Loss on retirement of noncurrent assets	701		285	
Office transfer expenses	313		—	
Loss on cancellation of lease contracts	346		—	
Impairment loss	971		1,150	
Other	494		243	
Total extraordinary loss	2,826	3.5	1,680	1.8
Income before income taxes and minority interests	14,683	18.1	17,694	18.9
Income taxes-current	4,940		8,012	
Income taxes-deferred	3,548		1,169	
Total income taxes	8,489	10.5	9,181	9.8
Minority interests in income	66	0.1	15	0.0
Net income	6,127	7.5	8,496	9.1

(Note) Consolidated Financial Statements

(Millions of yen)

Three months ended Dec 31, 2009 (Oct 1 to Dec 31, 2009)		Three months ended Dec 31, 2010 (Oct 1 to Dec 31, 2010)	
The breakdown of selling, general and administrative expenses is as follows:		The breakdown of selling, general and administrative expenses is as follows:	
Point costs	2,029	Point costs	2,344
Advertisement and promotion expenses	4,680	Advertisement and promotion expenses	7,115
Personnel expenses	11,085	Personnel expenses	13,473
Depreciation	3,334	Depreciation	4,364
Communications and maintenance expenses	3,341	Communications and maintenance expenses	3,798
Outsourcing expenses	5,411	Outsourcing expenses	6,239
Expenses for doubtful accounts	4,661	Expenses for doubtful accounts	4,228
Other	10,701	Other	12,127
Total	45,244	Total	53,691

2. Business Segment Information

Three months ended Dec 31, 2009 (Oct 1 to Dec 31, 2009)

(Million of yen)

	E-Com- merce	Credit Card	Banking	Portal, Media	Travel	Securities	Professi- onal Sports	Telecom- municat- ions	Total	Elimination	Consolid- ated
Sales											
Sales to customers	34,319	15,099	7,785	5,196	4,999	5,746	1,596	6,459	81,202	—	81,202
Intersegment sales	462	668	467	1,828	158	9	120	16	3,731	(3,731)	—
Total sales	34,781	15,767	8,253	7,024	5,157	5,755	1,716	6,476	84,934	(3,731)	81,202
Operating expenses	23,067	14,791	6,868	6,521	2,779	4,670	2,292	6,333	67,324	(4,152)	63,172
Operating income (loss)	11,714	976	1,384	503	2,378	1,084	(575)	142	17,609	420	18,029

Three months ended Dec 31, 2010 (Oct 1 to Dec 31, 2010)

(Millions of yen)

	E-Commerce	Credit Card	E-money	Banking	Portal, Media	Travel	Securities
Sales							
Sales to customers	43,292	16,772	1,576	8,122	5,969	6,116	5,546
Intersegment sales	562	953	6	449	2,133	119	106
Total sales	43,854	17,725	1,583	8,571	8,103	6,236	5,653
Operating expenses	30,403	16,489	1,585	8,095	7,336	3,503	4,480
Operating income (loss)	13,450	1,236	(2)	476	766	2,733	1,173

	Professional Sports	Telecommuni- cations	Total	Elimination	Consolidated
Sales					
Sales to customers	846	5,345	93,588	—	93,588
Intersegment sales	114	60	4,507	(4,507)	—
Total sales	960	5,406	98,095	(4,507)	93,588
Operating expenses	1,973	5,155	79,024	(5,000)	74,024
Operating income (loss)	(1,013)	250	19,070	493	19,563